

RUSTENBURG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014



Rustenburg Local Municipality

RUSTENBURG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

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RUSTENBURG LOCAL MUNICIPALITY

General information

Legal form of entity	Municipality (MFMA)
Mayoral Committee	
Executive Mayor	Khunou, M
	Mareko-Kodongo, B (Speaker)
	Serongwane, H (Single Whip)
Councillors	Mataboge, A L (MMC: Planning, Transport and Human Settlement)
	Mpengu, L (MMC: Infrastructure)
	Mhlungu, SBM (MMC: Community Development)
	Mabale-Huma, S (MMC: Budget and Treasury Office)
	Pitsoe, D (MMC: LED-Corporate Service)
	Lekoro, BF (MMC: Local Economic Development)
	Makhaula, V (MMC: Housing)
	Coetzee, D (MMC, IGR)
	Phiri, J (MMC: MPAC)
	Kgaladi, L (MMC: Public Safety)
Grading of local authority	High Capacity
Accounting Officer	Rapoo, MK
	Telephone: 014 590 3551
	<u>E-mail: irademeyer@rustenburg.gov.za</u>
Chief Financial Officer	Molefe, SGP
	Telephone: 014 590 3312
	<u>Email: gsmolefe@rustenburg.gov.za</u>
Registered Office	Missionary Mpheni House
	Cnr, Nelson Mandela & Beyers Naude Drives
	Rustenburg
	0299
Postal Address	P O Box 16
	Rustenburg
	0300
Bankers	ABSA BANK
Auditors	Auditor-General South Africa (AGSA)
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003)
	Local Government: Municipal Systems Act (Act 32 of 2000)
	Local Government: Municipal Structures Act (Act 117 of 1998)
	Housing Act (Act 107 of 1997)
	Constitution of the Republic of South Africa (Act 108 of 1996)
	Property Rates Act (Act 6 of 2004)
	Division of Revenue Act (Act 1 of 2007)

RUSTENBURG LOCAL MUNICIPALITY

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

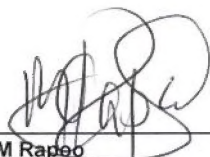
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on from page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:



Mr M Rapeo
Acting Municipal Manager
29 August 2014

RUSTENBURG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014
REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Rustenburg Local Municipality at 30 June 2014 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2010/11 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

INDICATOR	2013	2014
Surplus / (Deficit) before Appropriations	172 617 855	(72 024 528)
Surplus / (Deficit) at the end of the Year	6 908 439 153	6 874 417 235
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	14.86%	14.48%
Remuneration of Councillors	0.80%	0.76%
Collection Costs	0.68%	0.54%
Depreciation and Amortisation	13.64%	11.41%
Impairment Losses	0.01%	12.40%
Repairs and Maintenance	5.34%	4.42%
Interest Paid	0.50%	0.44%
Bulk Purchases	37.67%	41.10%
Contracted Services	5.44%	7.56%
Grants and Subsidies Paid	0.04%	0.01%
General Expenses	21.02%	6.68%
Current Ratio:		
Creditors Days	65	52
Debtors Days	97	68

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Rustenburg Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2012/13 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	6 750 003 206	6 946 441 763	2.83%	-	-
Operating income for the year	3 125 893 544	3 488 684 635	10.40%	4 088 336 105	-14.67%
Appropriations for the year	(14 181 908)	(120 110 705)	88.19%	-	-
	9 861 714 842	10 315 015 693	4.39%	4 088 336 105	152%
Expenditure:					
Operating expenditure for the year	2 953 275 689	3 560 709 163	20.57%	3 493 553 100	-2%
Sundry transfers	-	-	-	-	-
Closing surplus / (deficit)	6 908 439 153	6 874 417 235	-0.49%	913 528 770	-653%
	9 861 714 842	10 435 126 398	5.81%	3 523 273 137	-196%
	-	-	-	-	-

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2013	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations		
Revenue variances	(397 379 593)	(599 651 470)
Expenditure variances:		
Employee Related Costs	(15 334 952)	(32 587 397)
Remuneration of Councillors	1 774 959	(56 600)
Collection Costs	(10 952)	876 936
Depreciation and Amortisation	(293 661 316)	(18 833 071)
Impairment Losses	101 012 267	(236 507 132)
Repairs and Maintenance	2 938 020	4 677 623
Interest Paid	(2 718 952)	6 312 588
Bulk Purchases	153 030 878	173 386 837
Contracted Services	10 227 200	27 020 128
Grants and Subsidies Paid	1 610 318	(499 194)
General Expenses	(302 398 792)	9 053 218
Loss on disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	172 617 855	(666 807 533)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2014 amounted to R6,874,417,235 (30 June 2013: R6,908,439,153) and is made up of:

Accumulated Surplus	6 874 417 235
	<u>6 874 417 235</u>

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R260,810,914 (30 June 2013: R86,924,000).

Refer to Note 19 and Appendix "A" for more detail.

7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2014 was R166,878,642 (30 June 2013: R135,421,829).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes

Refer to Note 20 for more detail.

8. NON-CURRENT PROVISIONS

Provision for Long-term Service	21 236 573
Provision for Rehabilitation of Land-fill Sites	17 143 225
	<u>38 379 798</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R1,011,619,145 as at 30 June 2014 (30 June 2013: R946,022,319) and is made up as follows:

Consumer Deposits	Note 14	25 906 811
Provisions	Note 15	16 938 368
Payables	Note 16	523 486 245
Unspent Conditional Grants and Receipts	Note 17	370 316 942
VAT Payable	Note 18	-
Current Portion of Long-term Liabilities	Note 19	9 373 953
		<u>946 022 319</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R7,070,776,075 as at 30 June 2014 (30 June 2013: R6,518,408,168).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R1,331,622 as at 30 June 2014 (30 June 2013: R1,613,237).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix B for more detail.

12. INVESTMENT PROPERTIES

The net value of Investment Properties were R260,302,315 as at 30 June 2014 (30 June 2013: R280,468,596).

Refer to Note 11 and Appendix "B" for more detail.

13. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R820,508 as at 30 June 2014 (30 June 2013: R611,466).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for

Refer to Note 12 for more detail.

14. CURRENT ASSETS

Current Assets amounted R1,016,350,735 as at 30 June 2014 (30 June 2013: R1,312,674,163) and is made up as follows:

Inventories	Note 2	23 884 941
Non-current Assets Held-for-Sale	Note 3	56 917 471
Receivables from Exchange Transactions	Note 4	473 888 401
Receivables from Non-exchange Transactions	Note 5	73 523 696
VAT Receivable	Note 6	29 105 509
Cash and Cash Equivalents	Note 7	654 680 130
Operating Lease Assets	Note 8	642 164
Current Portion of Finance Lease Receivables	Note 13	31 850
		<u>1 312 674 163</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are

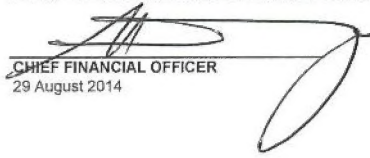
Refer to Note 24 and Appendix "F" for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 50.

17. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.


CHIEF FINANCIAL OFFICER
29 August 2014

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 R	Actual 2 013 R
ASSETS			
Current Assets		1 016 350 735	1 312 674 163
Inventories	2	33 162 393	23 884 941
Non-current Assets Held-for-Sale	3	41 437 471	56 917 471
Receivables from Exchange Transactions	4	457 844 270	473 888 401
Receivables from Non-exchange Transactions	5	58 155 513	73 523 696
VAT Receivable	6	-	29 105 509
Cash and Cash Equivalents	7	424 978 610	654 680 130
Operating Lease Receivables	8	720 697	642 164
Current Portion of Finance Lease Receivables	13	51 782	31 850
Non-Current Assets		7 335 754 998	6 803 692 369
Property, Plant and Equipment	9	7 070 776 075	6 518 408 168
Intangible Assets	10	1 331 622	1 613 237
Investment Property	11	260 302 315	280 468 596
Non-current Investments	12	820 508	611 466
Finance Lease Receivables	13	2 524 477	2 590 902
Total Assets		8 352 105 733	8 116 366 532
LIABILITIES			
Current Liabilities		1 011 619 145	946 022 319
Consumer Deposits	14	26 452 937	25 906 811
Provisions	15	19 519 423	16 938 368
Payables	16	473 719 410	523 486 245
Unspent Conditional Grants and Receipts	17	448 511 999	370 316 942
VAT Payable	18	13 290 463	-
Current Portion of Long-term Liabilities	19	30 124 912	9 373 953
Non-Current Liabilities		466 069 354	262 005 006
Long-term Liabilities	19	260 810 914	86 924 000
Retirement Benefit Liabilities	20	166 878 642	135 421 829
Non-current Provisions	21	38 379 798	39 659 177
Total Liabilities		1 477 688 498	1 208 027 326
Total Assets and Liabilities		6 874 417 234	6 908 339 206
NET ASSETS		6 874 417 234	6 908 339 206
Accumulated Surplus / (Deficit)	22	6 874 417 234	6 908 339 206
Total Net Assets		6 874 417 234	6 908 339 206

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014				
2014 Adjusted		Note	Actual 2 014	2 013
R			R	R
REVENUE				
Revenue from Non-exchange Transactions				
178 353 737	Property Rates	23	176 950 820	171 818 639
13 854 409	Fines		37 793 658	10 678 153
11 819 215	Licences and Permits		9 812 782	10 589 825
9 977 078	Income for Agency Services		16 568 027	14 670 282
1 432 487 733	Government Grants and Subsidies Received	24	1 116 300 305	949 113 249
Revenue from Exchange Transactions				
2 205 997 730	Service Charges	25	1 968 326 055	1 612 803 906
15 364 052	Rental of Facilities and Equipment	26	6 439 353	5 621 358
24 638 112	Interest Earned - External Investments	27	27 859 662	53 558 462
125 090 456	Interest Earned - Outstanding Debtors	27	94 578 326	110 594 400
-	Dividends Received			-
40 681 976	Other Income	28	23 595 980	181 431 861
30 071 607	Gains on Disposal of Property, Plant and Equipment		10 459 667	7 609 221
4 088 336 105	Total Revenue		3 488 684 635	3 128 489 358
EXPENDITURE				
482 963 168	Employee Related Costs	29	515 550 565	438 995 255
27 181 404	Remuneration of Councillors	30	27 238 004	23 721 452
19 990 000	Collection Costs		19 113 064	19 962 962
387 612 451	Depreciation and Amortisation	31	406 445 522	402 701 434
205 000 000	Impairment Losses	32	441 507 132	36 453
161 916 682	Repairs and Maintenance		157 239 059	157 711 240
22 031 876	Finance Costs	33	15 719 288	14 633 154
1 636 662 959	Bulk Purchases	34	1 463 276 122	1 112 588 973
296 119 026	Contracted Services	35	269 098 898	175 962 876
-	Grants and Subsidies Paid	36	499 194	1 102 302
254 075 534	General Expenses	37	245 022 316	622 627 852
	Loss on Disposal of Property, Plant and Equipment			-
3 493 553 100	Total Expenditure		3 560 709 163	2 970 043 953
594 783 005	SURPLUS / (DEFICIT) FOR THE YEAR		-72 024 528	158 445 404
Refer to Note 52 for explanation of budget variances				

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Accumulated Surplus/(Deficit) Account	Total for Accumulated Surplus/(Deficit) Account
2012	R	R
Balance at 30 June 2012	6 750 003 206	6 750 003 206
2013		
Restated Balance	6 750 003 206	6 750 003 206
Surplus / (Deficit) for the year	158 445 404	158 445 404
	6 908 448 610	6 908 448 610
2013		
Correction of Error	37 993 153	37 993 153
2014		
Restated Balance	6 946 441 763	6 946 441 763
Surplus / (Deficit) for the year	(72 024 528)	(72 024 528)
Balance at 30 June 2014	6 874 417 235	6 874 417 235

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 R	Actual 2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	23	171 087 906	182 654 360
Grants	24	1 194 495 362	819 935 141
Public Contributions and Donations		-	(220 415)
Service Charges	25	1 984 370 187	1 559 712 495
Dividends Received		-	-
Royalties Received		-	-
Interest Received	27	27 859 662	53 558 462
Other Receipts		23 595 980	65 234 181
Payments			
Employee Related Costs	29	(484 202 204)	(419 551 587)
Remuneration of Councillors	30	(27 238 004)	(23 721 452)
Interest Paid	33	(15 719 288)	(14 633 154)
Suppliers Paid		(1 732 375 020)	(1 216 589 767)
Other Payments		(622 029 009)	(325 465 766)
NET CASH FLOWS FROM OPERATING ACTIVITIES		519 845 573	680 912 498
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(954 435 614)	(904 319 739)
Purchase of Intangible Assets	11	-	-
Purchase of Investment Property	12	-	-
Purchase of Heritage Assets	13	-	-
Proceeds on Disposal of Property, Plant and Equipment		10 459 667	794 054
Decrease / (Increase) in Non-current Investments	12	(209 018)	(115 686)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(944 184 965)	(903 641 372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	19	(5 362 128)	(4 151 785)
Proceeds on Borrowings		200 000 000	
Decrease/ (Increase) in finance lease receivable		-	14 642
NET CASH FLOWS FROM FINANCING ACTIVITIES		194 637 872	(4 137 143)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVA	7	(229 701 520)	(226 866 017)
Cash and Cash Equivalents at Beginning of Period		654 680 130	881 546 146
Cash and Cash Equivalents at End of Period		424 978 610	654 680 130

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

The following are the principal accounting policies of which are, in all material respects, consistent with those applied in the previous year. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis.

1 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the process of applying the Municipality's accounting policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial

2.1 Post-employment medical benefits

The cost of post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future medical fund contribution increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.2 Impairment of trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per significant trade receivables first and then for all classes of trade receivables.

2.3 Useful Life

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time. It is a subjective estimate based on management's experience.

2.4 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in subsequent notes to the financial statements. Provisions are discounted where the effect of discounting is material using actuarial valuations.

2.5 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

2.6 Standards, amendments to standards and interpretations issued but not yet effective.

Where a Standard of GRAP is approved as effective, it replaces the equivalent Statement of IPSAS, IFRS or SA GAAP. Where a standard of GRAP has been issued, but not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 32, Service Concession Arrangements: Grantor; and
GRAP 108, Statutory Receivables have been excluded from the list
GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (CONTINUED)

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 25 - Employee Benefits

Management has considered the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

RUSTENBURG LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

6

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment, which are expected to be used for more than one period, are included in property, plant and equipment. In addition, spare parts and stand by equipment, which can only be used in connection with an item of property, plant, and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets and commences when an asset is ready for its intended use.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>YEARS</u>
<u>Infrastructure</u>	
Roads	30
Paving	20
Electricity	20 - 30
Water	15 - 20
Sewerage	20 - 30
<u>Housing</u>	30
<u>Buildings</u>	30
<u>Other</u>	
Other vehicles	5
Office equipment	7
Computer equipment & software	5
Specialist vehicles	7
Security	5
Furniture and fittings	7
Bins and containers	5
Specialised plant and equipment	15
Other items of plant and equipment	5
Landfill sites	30
<u>Community</u>	
Buildings	30
Recreational Facilities	20 - 30

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The useful life and residual value of assets are assessed annually to determine the appropriateness of management's initial estimate. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Residual values are applied to the following classes at the specified rates: Vehicles: 30% of the original cost price

Furniture, fittings and office equipment: 10% of the original cost price

Computers: 10% of the original cost price

Infrastructure: Nil, due to the fact that it is not the intention to ever sell infrastructure assets.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

7 HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

8 INVESTMENT PROPERTY

Investment properties are held to earn rental income, and for capital appreciation, and are stated at cost less accumulated depreciation. Investment properties are written down for impairment where considered necessary.

Investment property excludes owner-occupied property that is used in the production or supply of goods or services, or for administrative purposes, or property held to provide a social service.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

9 NON CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated or amortised while it is classified as held for sale.

10 INTANGIBLE ASSETS

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction

its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets

to their residual values as follows:

Item Useful life Licenses and franchises 3 years Computer software

Computer software, other 3 years

Intangible assets are derecognised: ☐ on disposal; or ☐ when no future economic benefits or service potential are expected from its use or disposal.

11 IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

IMPAIRMENT OF ASSETS (Continued)

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

12 INVESTMENTS IN CONTROLLED ENTITIES

Investment in Municipal Entities

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate Consolidated Annual Financial Statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments, whilst eliminating transactions between the municipality and the entity.

The fair value of, at the date of acquisition or transfer of functions, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; and

Any costs directly attributable to the purchase of the controlled entity.

13 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are initially valued at cost and subsequently valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water are valued by using the (FIFO / weighted average) method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

14 FINANCIAL INSTRUMENTS

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Loans to/from Municipal Entities. These are recognised at cost.

Investment in Municipal Entities

Separate Consolidated Annual Financial Statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments, whilst eliminating transactions between the municipality and the entity.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
FINANCIAL INSTRUMENTS (Continued)

Trade receivables

Trade receivables are recognised at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the trade receivables.

The provision is made in accordance with IAS 39.64 whereby the recoverability of trade receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period.

Government accounts are not provided for as such accounts are regarded as receivable.

Cash and cash equivalents

These are initially and subsequently recorded at fair value. For cash flow purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are subject to an insignificant risk of changes in value.

Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Creditors

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. The Municipality does not hold financial loans for trading purposes.

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

"The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance."

15 REVENUE RECOGNITION

14.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest, royalties and dividends:

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
REVENUE RECOGNITION (Continued)

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

13.2 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. The municipality recognise the full amount of revenue at the transaction date. Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognise an impairment loss.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
REVENUE RECOGNITION (Continued)
Government grants

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential based on the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

If goods in kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

16 PROVISIONS

Provisions are recognised when:

- The municipality has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

PROVISIONS (CONTINUED)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed as a note to enable users to determine the risks involved.

17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18 IRREGULAR EXPENDITURE

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

19 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

21 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
LEASES (CONTINUED)

20.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

21.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset.

22 RETIREMENT BENEFITS

Short-term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments because of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
RETIREMENT BENEFITS (Continued)

Defined benefit plans

For defined benefit plans, the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could affect the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment or settlement. When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

23 BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2012 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset.

24 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

25 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

RUSTENBURG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

26 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

27 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

28 COMPARATIVE INFORMATION

27.1 Current year comparatives:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items.

27.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

29 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

"Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements."

30 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

31 CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R			
1. GENERAL INFORMATION					
Rustenburg Local Municipality (the municipality) is a local government institution in Rustenburg, North West Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA)					
2. INVENTORIES					
Consumable Stores - at cost	32 821 495	22 920 715			
Water - at cost	340 898	964 226			
Total Inventories	33 162 393	23 884 941			
This reconciliation consists of consumables stores, maintenance materials and spare parts					
Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.					
3. NON-CURRENT ASSETS HELD-FOR-SALE					
Opening	56 917 471	86 611 471			
Property Held-for-Sale - Transfer from PPE					
Property Held-for-Sale - Sold	(15 480 000)	(29 694 000)			
Total Non-current Assets Held-for-Sale	41 437 471	56 917 471			
Liabilities associated with Non-current Assets Held-for-Sale		-			
Net Non-current Assets Held-for-Sale	41 437 471	56 917 471			
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS					
	Gross Balances R	Provision for Impairment R	Net Balances R		
As at 30 June 2013					
Service Debtors:	1 160 260 537	835 432 398	324 828 140		
Electricity	325 414 517	234 311 020	91 103 497		
Refuse	159 599 730	114 917 969	44 681 761		
Sewerage	131 713 936	94 839 122	36 874 815		
Water	543 532 354	391 364 287	152 168 067		
Other Receivables	532 431 515	383 371 254	149 060 261		
Other Debtors	532 431 515	383 371 254	149 060 261		
Total Receivables from Exchange Transactions	1 692 692 052	1 218 803 652	473 888 401		
	Gross Balances R	Provision for Impairment R	Net Balances R		
As at 30 June 2014					
Service Debtors:	1 402 412 090	962 946 008	439 466 081		
Electricity	423 542 745	161 008 733	262 534 012		
Refuse	188 617 718	154 889 048	33 728 670		
Sewerage	153 207 508	124 162 524	29 044 984		
Water	637 044 119	522 885 703	114 158 416		
Other Receivables	664 393 149	646 014 961	18 378 188		
Other Debtors	664 393 149	646 014 961	18 378 188		
Total Receivables from Exchange Transactions	2 066 805 239	1 608 960 969	457 844 270		
The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.					
4.1 Ageing of Receivables from Exchange Transactions					
As at 30 June 2013					
	Current 0 - 30 days	Past Due 31 - 60 Days	Past Due 61 - 90 Days	Past Due + 90 Days	Total
Electricity:					
Gross Balances	165 123 119.90	53 387 419.00	19 496 780.42	139 762 542.19	377 769 862
Less: Provision for Impairment	102 417 293	33 113 443	12 092 840	86 687 444	234 311 020
Net Balances	62 705 827	20 273 976	7 403 940	53 075 098	143 458 842
Refuse:					
Gross Balances	6 726 984.35	5 000 770.22	3 938 741.25	144 603 168.35	160 269 664
Less: Provision for Impairment	4 823 442	3 585 696	2 824 191	103 684 640	114 917 969
Net Balances	1 903 543	1 415 074	1 114 550	40 918 528	45 351 695
Sewerage:					
Gross Balances	7 506 166.88	4 292 053.42	3 370 547.36	117 259 718.90	132 428 487
Less: Provision for Impairment	5 375 568	3 073 769	2 413 829	83 975 956	94 839 122
Net Balances	2 130 599	1 218 284	956 718	33 283 763	37 589 366

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Water:

Gross Balances	31 890 889.32	24 145 477.50	13 622 922.80	490 768 779.97	560 428 070
Less: Provision for Impairment	22 270 396	16 861 535	9 513 309	342 719 047	391 364 287
	9 620 493	7 283 942	4 109 614	148 049 733	169 063 783

Other receivables:

Gross Balances	28 504 024.99	10 041 444.24	9 557 804.34	505 089 620.12	553 192 894
Less: Provision for Impairment	19 753 731	6 958 877	6 623 707	350 034 939	383 371 254
Net Balances	8 750 294	3 082 568	2 934 098	155 054 681	169 821 640

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	239 751 185	96 867 164	49 986 796	1 397 483 830	1 784 088 976
Less: Provision for Impairment	154 640 430	63 593 320	33 467 876	967 102 026	1 218 803 652
Net Balances	85 110 755	33 273 845	16 518 920	430 381 803	565 285 324

As at 30 June 2014

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Electricity:

Gross Balances	180 789 374	61 929 672	11 198 039	169 625 660	423 542 745
Less: Provision for Impairment	68 726 636	23 542 413	4 256 907	64 482 778	161 008 733
Net Balances	112 062 738	38 387 260	6 941 132	105 142 882	262 534 012

Refuse:

Gross Balances	7 319 527	5 266 881	3 883 785	172 147 525	188 617 718
Less: Provision for Impairment	6 010 647	4 325 056	3 189 286	141 364 059	154 889 048
Net Balances	1 308 880	941 825	694 500	30 783 466	33 728 670

Sewerage:

Gross Balances	6 607 919	4 578 195	3 312 373	138 709 021	153 207 508
Less: Provision for Impairment	5 355 194	3 710 263	2 684 415	112 412 651	124 162 524
Net Balances	1 252 725	867 931	627 958	26 296 370	29 044 984

Water:

Gross Balances	34 123 629	20 114 724	11 433 928	571 371 838	637 044 119
Less: Provision for Impairment	28 008 668	16 510 162	9 384 966	468 961 907	522 865 703
Net Balances	6 114 960	3 604 562	2 048 962	102 389 932	114 158 416

Other Receivables:

Gross Balances	40 892 142	10 357 416	16 163 667	596 979 925	664 393 149
Less: Provision for Impairment	39 760 999	10 070 913	15 716 554	580 466 495	646 014 961
Net Balances	1 131 143	286 503	447 113	16 513 430	18 378 188

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

As at 30 June Receivables of R265 702 041 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current		Past Due		Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	269 732 590	102 246 888	45 991 792	1 648 833 969	2 066 805 239
Less: Provision for Impairment	147 862 145	58 158 807	35 232 128	1 367 707 890	1 608 960 969
Net Balances	121 870 446	44 088 081	10 759 664	281 126 079	457 844 270

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2014				
<u>Current:</u>				
0 - 30 days	96 757 695	163 515 296	6 069 666	16 713 667
<u>Past Due:</u>				
31 - 60 Days	44 737 254	54 114 413	2 296 973	7 671 781
61 - 90 Days	37 010 576	7 991 262	764 345	4 533 943
+ 90 Days	1 561 486 808	116 203 394	54 827 669	65 219 612
Sub-total				
Less: Provision for Impairment	1 487 904 162	114 018 834	55 354 050	72 225 497
Total Trade Receivables by Customer Classification	73 582 646	2 184 560	(526 181)	(7 005 885)

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	98 805 318	138 669 767	1 878 276	15 250 730
<u>Past Due:</u>				
31 - 60 Days	50 202 154	47 825 640	1 645 090	4 203 664
61 - 90 Days	33 623 408	17 114 664	1 216 188	2 439 625
+ 90 Days	1 336 263 531	102 990 070	53 705 995	48 313 955
Sub-total				
Less: Provision for Impairment	1 153 874 748	97 321 929	43 465 555	57 118 140
Total Trade Receivables by Customer Classification	182 388 783	5 668 140	10 240 440	(8 804 185)

	2014 R	2013 R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year		
Impairment Losses recognised	1 757 444 888	1 390 510 374
VAT on impairment losses		
Balance at end of year	1 757 444 888	1 390 510 374

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions, in terms of GRAP 104.

4.4 Ageing of impaired Receivables from Exchange Transactions

Total	1 757 444 888	1 390 510 374
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4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	168 074 381	120 541 020	47 533 361
Payments made in Advance	3 001 566		3 001 566
Short-term Loans	2 144 620		2 144 620
Sundry Debtors	20 605 320		20 605 320
Insurance Claims	238 829		238 829
Total Receivables from Non-exchange Transactions	194 064 716	120 541 020	73 523 696

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	172 509 315	148 483 919	24 025 396
Payments made in Advance	3 001 566		3 001 566
Short-term Loans	2 144 620		2 790 114
Sundry Debtors	49 139 826		49 139 826
Insurance Claims	238 829		429 707
Total Receivables from Non-exchange Transactions	227 034 157	148 483 919	79 386 610

RUSTENBURG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Receivables from Non-exchange Transactions have been restated to correctly classify amounts held for Assessment Rates Debtors in terms of GRAP 104, previously included in Receivables from Exchange Transactions. Refer to Note 38 on "Correction of error" for details of the restatement.

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current		Past Due		Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	14 852 904	7 009 382 98	4 407 087	143 789 721	168 074 381
Less: Provision for Impairment	10 652 333	5 027 049	3 160 712	103 124 341	120 541 020
Net Balances	4 200 572	1 982 334	1 246 375	40 665 381	47 533 361

As at 30 June Receivables of R47 533 361 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current		Past Due		Total
	31 - 60 Days	61 - 90 Days	+ 90 Days		
All Receivables:					
Gross Balances	14 852 904	7 009 383	4 407 087	143 789 721	168 074 381
Less: Provision for Impairment	10 652 333	5 027 049	3 160 712	103 124 341	120 541 020
Net Balances	4 200 572	1 982 334	1 246 375	40 665 381	47 533 361

As at 30 June 2014

	Current		Past Due		Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	13 323 734	6 573 533	3 708 335	148 903 714	172 509 315
Less: Provision for Impairment	11 468 136	5 658 036	3 191 874	128 165 873	148 483 919
Net Balances	1 855 598	915 497	516 460	20 737 841	24 025 396

As at 30 June Receivables of R178 910 102 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current		Past Due		Total
	31 - 60 Days	61 - 90 Days	+ 90 Days		
All Receivables:					
Gross Balances	13 323 734	6 573 533	3 708 335	148 903 714	172 509 315
Less: Provision for Impairment	11 468 136	5 658 036	3 191 874	128 165 873	148 483 919
Net Balances	1 855 598	915 497	516 460	20 737 841	24 025 396

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
5.3 Reconciliation of Provision for Impairment		
Balance at beginning of year		
Impairment Losses recognised		
Balance at end of year	148 483 919	120 541 020
<p>The transactions for <i>Provision Impairment</i> have been restated to correctly classify amounts held for Assessment Rates Debtors, previously included in Receivables from Exchange Transactions, in terms of GRAP 104. Refer to Note 38 on "Correction of error" for details of the restatement.</p> <p>The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.</p> <p>The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.</p> <p>The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.</p> <p>In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.</p> <p>Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.</p>		
6. VAT RECEIVABLES		
VAT Payables is the Net Payables from all VAT Control Accounts and		
Vat Payable		(20 615 458)
Vat Receivable		49 720 967
Vat Payable	-	29 105 509
<p>Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.</p> <p>No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.</p>		
7. CASH AND CASH EQUIVALENTS		
Current Investments	349 362 619	602 540 916
Bank Accounts	75 603 191	52 126 414
Cash and Cash Equivalents	12 800	12 800
Total Bank, Cash and Cash Equivalents	424 978 610	654 680 130
<p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments, net of outstanding Bank Overdrafts.</p>		
7.1 Current Investment Deposits		
Call Deposits	67 402 105	46 397 311
<i>Absa Call Account</i>	67 402 105	1 410 974
<i>Momentum</i>	-	44 986 337
Notice Deposits	281 947 399	556 143 605
<i>First National Bank</i>	20 249 370	113 090 638
<i>Absa</i>	5 996 542	94 717 356
<i>Nedbank</i>	141 137 421	128 460 503
<i>Standard Bank</i>	20 249 370	130 019 474
<i>Kagiso Asset Management</i>	46 340 786	44 257 856
<i>Sanlam</i>	47 396 851	45 008 083
<i>Absa Guarantee Deposit</i>	590 197	589 695
Short-term Portion of Investments	349 362 619	602 540 916
Total Current Investment Deposits	349 362 619	602 540 916
7.2 Bank Accounts		
Cash in Bank	75 603 191	52 126 414
Total Bank Accounts	75 603 191	52 126 414
<p>The Municipality has the following bank accounts:</p>		
Primary Bank Account		
<i>ABSA - Main Branch, Rustenburg- Account Number 1220000458:</i>		
Cash book balance at beginning of year	33 586 400	37 732 020
Cash book balance at end of year	56 610 859	33 586 400
Bank statement balance at beginning of year	64 137 857	97 058 613
Bank statement balance at end of year	66 542 083	97 058 613
Housing Bank Account		
<i>ABSA - Main Branch, Rustenburg- Account Number 4054617192:</i>		
Cash book balance at beginning of year	18 540 013	18 001 816
Cash book balance at end of year	18 992 332	18 540 013
Bank statement balance at beginning of year	18 540 013	18 118 420
Bank statement balance at end of year	18 992 332	18 118 420

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7.3 Cash and Cash Equivalents

Cash Floats and Advances	12 800	12 800
Other Cash Equivalents	-	-
Total Cash on hand in Cash Floats, Advances and Equivalents	12 800	12 800

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

8. OPERATING LEASE ASSETS / RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating

Balance at beginning of year	642 164	541 479
Operating Lease Revenue recorded	289 607	289 607
Operating Lease Revenue effected	(211 074)	(188 922)
Total Operating Lease Assets	720 697	642 164

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 82 (2012: 1 to 83) years.

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and

Up to 1 year	204 832	291 218
2 to 5 years	581 675	849 149
More than 5 years	2 969 875	3 885 459
Total Operating Lease Arrangements	3 756 383	5 025 826

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease in current

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

Description	Land	Buildings	Infrastructure	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2013	1 149 113 057	830 980 726	4 414 051 442	124 362 890	6 518 508 115
Cost	1 149 113 057	1 293 788 732	7 470 735 806	232 944 597	10 146 582 193
- Completed Assets	1 149 113 057	1 293 788 732	6 838 318 869	232 944 597	9 514 165 256
- Under Construction	-	-	632 416 937	-	632 416 937
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(536 642)	(536 642)
Accumulated Depreciation:	-	(462 808 007)	(3 056 684 364)	(108 045 065)	(3 627 537 436)
- Cost	-	(462 808 007)	(3 056 684 364)	(108 045 065)	(3 627 537 436)
- Revaluation	-	-	-	-	-
Acquisitions	16 258 000	1 694 456	20 225 409	14 380 173	52 558 038
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	22 611 814	879 265 762	-	901 877 576
- Cost	-	-	-	-	-
Additions	-	22 611 814	879 265 762	-	901 877 576
Transfer in	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	-	(93 720 005)	(283 520 264)	(21 642 096)	(398 882 365)
- Based on Cost	-	-93 720 005	-283 520 264	-21 642 096	-398 882 365
- Based on Revaluation	-	-	-	-	-
Carrying value of Disposals:	(405 902)	(139 444)	(763 562)	(1 254 432)	(2 563 339)
- Cost	(405 902)	(139 444)	(763 562)	(3 291 324)	(4 600 232)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	2 036 892	2 036 892
Based on Cost	-	-	-	2 036 892	2 036 892
Based on Revaluation	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
Based on Cost	-	-	-	-	-
Based on Revaluation	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	22 180	-599 803	(621 983)
Capital under Construction - Completed	-	-	-	-	-
Other Movements	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
Based on Cost	-	-	-	-	-
Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2014	1 164 965 155	761 427 547	5 029 236 607	115 246 733	7 070 876 043
Cost	1 164 965 155	1 317 955 558	8 369 463 415	244 033 446	11 096 417 575
- Completed Assets	1 164 965 155	1 295 343 744	7 490 197 654	244 033 446	10 194 539 999
- Under Construction	-	22 611 814	879 265 762	-	901 877 576
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	(22 180)	(1 136 444)	(1 158 624)
Accumulated Depreciation:	-	(556 528 011)	(3 340 204 628)	(127 650 269)	(4 024 382 908)
- Cost	-	(556 528 011)	(3 340 204 628)	(127 650 269)	(4 024 382 908)
- Revaluation	-	-	-	-	-

Description	land	Buildings	Infra-structure	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2012	1 126 644 027	896 636 713	3 888 788 830	100 219 776	6 012 289 346
Cost	1 126 644 027	1 266 391 331	6 664 308 623	188 322 891	9 245 666 872
- Completed Assets	1 126 644 027	1 258 473 872	6 601 995 917	188 322 891	9 175 436 706
- Under Construction	-	7 917 460	62 312 707	-	70 230 166
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(173 579)	(173 579)
Accumulated Depreciation:	-	(369 754 619)	(2 775 519 793)	(87 929 536)	(3 233 203 948)
- Cost	-	(369 754 619)	(2 775 519 793)	(87 929 536)	(3 233 203 948)
- Revaluation	-	-	-	-	-
Acquisitions	22 469 030	27 397 401	174 010 246	46 461 768	270 338 445
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	-	632 416 937	-	632 416 937
- Cost	-	-	-	-	-
Additions	-	-	632 416 937	-	632 416 937
Transfer in	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	-	(93 053 388)	(281 164 571)	(21 372 811)	(395 590 770)
- Based on Cost	-	(93 053 388)	(281 164 571)	(21 372 811)	(395 590 770)
- Based on Revaluation	-	-	-	-	-
Carrying value of Disposals:	-	-	-	(582 779)	(582 779)
- Cost	-	-	-	(1 840 061)	(1 840 061)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	1 257 282	1 257 282
- Based on Cost	-	-	-	1 257 282	1 257 282
- Based on Revaluation	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	(363 063)	(363 063)
Capital under Construction - Completed	-	-	-	-	-
Other Movements	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2013	1 149 113 057	830 980 726	4 414 051 442	124 362 890	6 518 508 115
Cost	1 149 113 057	1 293 788 732	7 470 735 806	232 944 597	10 146 582 193
- Completed Assets	1 149 113 057	1 293 788 732	6 838 318 869	232 944 597	9 514 165 256
- Under Construction	-	-	632 416 937	-	632 416 937
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(536 642)	(536 642)
Accumulated Depreciation:	-	(462 808 007)	(3 056 684 364)	(108 045 065)	(3 627 537 436)
- Cost	-	(462 808 007)	(3 056 684 364)	(108 045 065)	(3 627 537 436)
- Revaluation	-	-	-	-	-

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
9 PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Impairment of Property, Plant and Equipment		
The amount of R621 983 (2014) disclosed for impairment losses on Property, Plant and Equipment is in respect of an individual amount of impairment losses applicable to a redundant assets. Refer to Note 32 for full Impairment		
Other Assets:	621 983	363 063
	621 983	363 063

10 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	1 331 622	1 613 237
---	------------------	------------------

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2013	1 613 237	1 613 237
Cost	2 485 639	2 485 639
Accumulated Amortisation	(872 402)	(872 402)
Acquisitions:	245 847	245 847
Purchased	245 847	245 847
Internally Developed	-	-
Amortisation:	(527 461)	(527 461)
Purchased	(527 461)	(527 461)
Internally Developed	-	-
Carrying values at 30 June 2014	1 331 622	1 331 622
Cost	2 731 486	2 731 486
Accumulated Amortisation	(1 399 863)	(1 399 863)
Carrying values at 01 July 2012	123 847	123 847
Cost	921 281	921 281
Accumulated Amortisation	(797 434)	(797 434)
Acquisitions:	1 564 358	1 564 358
Purchased	1 564 358	1 564 358
Internally Developed	-	-
Amortisation:	(74 968)	(74 968)
Purchased	(74 968)	(74 968)
Internally Developed	-	-
Carrying values at 30 June 2013	1 613 237	1 613 237
Cost	2 485 639	2 485 639
Accumulated Amortisation	(872 402)	(872 402)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.
No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11 INVESTMENT PROPERTY

At Fair Value
At Cost less Accumulated Depreciation

260 302 315 280 468 596

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

280 468 596 287 504 292

Cost
Accumulated Depreciation

325 715 218 325 715 218
(45 246 622) (38 210 926)

Disposal
Depreciation during the Year
At Cost
At Accumulated Depreciation

(13 130 585) -
(7 035 696) 7 035 696.89
(7 035 696) -
- -

Carrying values at 30 June

260 302 315 280 468 596

Cost
Accumulated Depreciation

312 584 633 325 715 218
(52 282 318) (45 246 622)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of

Refer to Appendix "B" for more detail on Investment Property.

12 NON-CURRENT INVESTMENTS

Listed

Listed Shares- 12 948 Sanlam shares

819 508 610 466

Unlisted

Investment in Municipal Entities - at cost

1 000 1 000

1 000 1 000

Financial Instruments

Fixed Deposits
Short-term Financial Instruments

783 690 404 558 283 059
42 108 107 44 408 890

Total Investments

All Investments
Less: Short-term Portion transferred to Current Investments

350 169 956 603 303 416
(349 349 448) (602 691 950)

Total Non-current Investments

820 508 611 466

Market valuation of Listed Investments

Listed Shares

610 466 462 891

Council's valuation of Unlisted Investments

Investment in Municipal Entities

1 000 1 000

1 000 1 000

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

Unlisted Investments comprise the following:
Investments in Municipal Entities as disclosed above.

Fixed Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

13 FINANCE LEASE RECEIVABLES

	Gross Balances R	Net Balances R
As at 30 June 2014		
Other Finance Leases- Rustenburg Water Services Trust	2 576 259	2 576 259
	<u>2 576 259</u>	<u>2 576 259</u>
Less: Current Portion transferred to Current Receivables:-		-51 782
Non-Current Finance Lease Receivables		<u>2 524 477</u>

	Gross Balances R	Net Balances R
As at 30 June 2013		
Housing Selling Scheme Loans	437 117	-
Other Finance Leases	2 622 751	2 622 751
	<u>3 059 868</u>	<u>2 622 751</u>
Less: Current Portion transferred to Current Receivables:-		-31 850
Other Finance Leases		<u>-31 850</u>
		-
Non-Current Finance Lease Receivables		<u>2 590 901</u>

13.1 Leasing Arrangements

A finance lease was granted to the entity (RWST) for sewerage plant transferred by the municipality to the RWST. The lease is repayable over twenty years, in half yearly payments every year at the end of June and December, with the last instalment due on 30 June 2025. The interest rate implicit in the lease is 11%. All leases are denominated in Currency Units.

13.2 Amounts receivable under Finance Leases

	Minimum Lease Payments	
	2014 R	2013 R
Within one year	51 782	31 850
In the second to fifth years, inclusive	680 205	525 920
Over five years	1 844 271	2 064 981
Total Finance Lease Receivables	<u>2 576 258</u>	<u>2 622 751</u>
Unearned Finance Income	<u>2 576 258</u>	<u>2 622 751</u>
Included in the Annual Financial Statements as:		
Non-current Finance Lease Receivables	2 576 250	2 590 901
Current Finance Lease Receivables	31 850	31 850
Total Finance Lease Receivables	<u>2 608 109</u>	<u>2 622 751</u>

Management of the municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

14 CONSUMER DEPOSITS

Electricity and Water	26 452 937	25 906 811
Total Consumer Deposits	<u>26 452 937</u>	<u>25 906 811</u>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

	2014	2013
	R	R
15 PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	4 335 678	3 978 912
Rehabilitation of Land-fill Sites	11 649 895	11 323 850
Current Portion of Non-Current Provisions (See Note below):	3 533 650	1 635 605
Long-term Service	3 533 650	1 635 605
Total Provisions	19 519 223	16 938 367
The movement in provisions are reconciled as follows:		
Current Provisions:		
	Landfill Sites	
	2014	2013
	R	R
Landfill Sites:		
Balance at beginning of year	11 323 850	10 336 290
Contributions to provision	326 045	987 560
Balance at end of year	11 649 895	11 323 850
Current Portion of Non-Current Provisions:		
	Long Service Awards	
	2014	2013
	R	R
Balance at beginning of year	1 635 605	1 680 982
Contributions to provision	1 898 045	(45 377)
Balance at end of year	3 533 650	1 635 605
16 PAYABLES		
Trade Creditors	232 741 502	376 572 084
Payments received in Advance	67 217 888	33 288 481
Retentions	50 151 674	21 984 836
Staff Leave Accrued	31 302 898	23 815 929
Sundry Deposits	9 173 066	9 022 545
Other Creditors	63 132 383	58 802 359
Total Creditors	473 718 410	523 486 245
Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is:		
The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit		
The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.		
The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.		

	2014 R	2013 R
17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
17.1 Conditional Grants from Government	440 968 255	362 773 198
National Government Grants	404 813 069	335 089 426
Provincial Government Grants	11 109 932	4 120 817
Local Government Grants	13 172	13 172
Other Spheres of Government	25 032 082	23 569 783
17.2 Other Conditional Receipts	7 543 744	7 543 744
Public Contributions	7 543 744	7 543 744
Total Conditional Grants and Receipts	448 511 999	370 316 942
The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised. Refer to Appendix "F" for more detail on Conditional Grants.		
18 VAT PAYABLE		
VAT Payable is the Net Payable from all VAT Control Accounts and must agree to the VAT 201 Return.		
Vat Payable	(21 887 303)	-
Vat Receivable	8 596 840	-
Vat Payable	(13 290 463)	-
Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
19 LONG-TERM LIABILITIES		
Finance Lease Liabilities	4 251 613	4 251 613
Other Loans	286 684 213	92 046 340
Sub-total	290 935 826	96 297 953
Less: Current Portion transferred to Current Liabilities:-	30 124 912	9 373 653
Finance Lease Liabilities	-	1 516 949
Other Loans	30 124 912	7 857 004
Total Long-term Liabilities (Neither past due, nor impaired)	260 810 914	86 924 000
19.1 Summary of Arrangements		
Finance Lease Liabilities relates to Vehicles and IT Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on Finance Leases is 10%. Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.		
Other Loans are repaid over a period of 15 years and at interest rates varying from 11.92% to 13.82% per annum.		
The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
Refer to Appendix "A" for more detail on Long-term Liabilities.		
20 RETIREMENT BENEFIT LIABILITIES		
20.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	135 421 829	123 115 637
Contributions to Provision	35 792 691	16 285 104
Balance at end of Year	171 214 520	139 400 741
Transfer to Current Provisions	(4 335 878)	(3 978 612)
Total Post-retirement Health Care Benefits Liability	166 878 642	135 421 829
The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.		
The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	1 277	1 148
In-service Non-members (Employees)	466	652
Continuation Members (Retirees, widowers and orphans)	128	120
Total Members	1 871	1 920
The liability in respect of past		
In-service Members	99 706 434	73 775 251
Continuation Members	58 199 089	53 324 655
In-service - Non Members	13 308 997	12 300 835
Total Liability	171 214 520	139 400 741
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Bonitas		
- Hosmed		
- Keyhealth		
- LA Health		
- Samwumad		

	2014 R	2013 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.20%	8.92%
Health Care Cost Inflation Rate	8.28%	7.82%
Net Effective Discount Rate	7.6%	1.02%
Expected Rate of Salary Increase	0.76%	-
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	139 400 741	123 115 637
Current service costs	7 446 942	6 290 554
Interest cost	12 265 159	9 818 725
Benefits paid	(3 678 887)	(3 641 574)
Actuarial losses / (gains)	15 780 565	4 019 389
Present Value of Fund Obligation at the end of the Year	171 214 520	139 400 741
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	171 214 520	139 400 741
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	171 214 520	139 400 741
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	171 214 520	139 400 741
Total Benefit Liability	171 214 520	139 400 741
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	7 446 942	6 290 554
Interest cost	12 265 159	9 818 725
Actuarial losses / (gains)	15 780 565	4 019 389
Total Post-retirement Benefit included in Employee Related Costs (Note 39)	35 492 666	19 926 678
The history of experienced		
Present Value of Defined Benefit Obligation	171 214 520	139 400 741
Deficit	171 214 520	139 400 741
21 NON-CURRENT PROVISIONS		
Provision for Long Service Awards	21 236 573	19 985 253
Provision for Rehabilitation of Land-fill Sites	17 143 225	19 673 924
Total Non-current Provisions	38 379 798	39 659 177

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards	
	2014 R	2013 R
Balance at beginning of year	21 620 858	18 462 294
Contributions to provision	5 160 904	4 839 546
Expenditure incurred	(2 011 539)	(1 680 982)
	24 770 223	21 620 858
Transfer to current provisions	(3 533 650)	(1 635 605)
Balance at end of year	21 236 573	19 985 253

	Landfill Site	
	2014 R	2013 R
Balance at beginning of year	19 673 924	17 958 149
Contributions to provision	(2 530 700)	1 715 775
	17 143 224	19 673 924
Balance at end of year	17 143 224	19 673 924

21.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long-service based on historical staff turnover. Additional cash/ gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2014 R	2013 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.97%	8.92%
Cost Inflation Rate	6.54%	7.82%
Net Effective Discount Rate	0.80%	1.02%
Expected Rate of Salary Increase	6.79%	-
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	139 400 741	123 115 637
Current service costs	7 446 942	6 290 554
Interest cost	12 265 159	9 616 725
Benefits paid	(3 678 887)	(3 641 574)
Actuarial losses / (gains)	15 780 565	4 019 399
Present Value of Fund Obligation at the end of the Year	171 214 520	139 400 741
Total Recognised Benefit Liability	171 214 520	139 400 741
	146 444 297.00	117 779 883.00
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	146 444 297	139 400 741
Present value of unfunded obligations	146 444 297	139 400 741
Unfunded Accrued Liability	146 444 297	139 400 741
Total Benefit Liability	146 444 297	139 400 741
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	2 435 370	6 290 554
Interest cost	1 533 259	9 616 725
Actuarial losses / (gains)	(2 011 539)	4 019 399
Total Post-retirement Benefit included in Employee Related Costs (Note 39)	1 957 090	19 926 678

21.2 Rehabilitation of Landfill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur licencing and rehabilitation costs of R30 997 775 to restore the site at the end of its useful life, estimated to be between 2015 and 2022 for Rustenburg Townlands landfill site. Provision has been made for the net present value of this cost,

22 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	6 874 417 235	6 908 439 153
Total Accumulated Surplus	6 874 417 235	6 908 439 153

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

23 PROPERTY RATES

	Actual Levies	
	2014 R	2013 R
Residential	86 432 910	84 413 378
Commercial	88 796 765	83 290 605
Agricultural	2 193 699	3 542 744
State	(462 544)	571 912
Total Property Rates	176 950 820	171 818 639
Attributable to:		
Continuing Operations	176 950 820	171 818 639
Discontinued Operations	-	-
	176 950 820	171 818 639

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009. Supplementary valuations are processed on a monthly basis to take into account changes to individual property values due to alterations and subdivisions.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

24 GOVERNMENT GRANTS AND SUBSIDIES

	2014 R	2013 R
National Equitable Share	284 657 000	239 749 000
Operational Grants	284 657 000	239 749 000
Conditional Grants	831 643 305	706 077 055
National: FMG	1 655 000	1 499 999
National: MIG	255 170 113	205 912 712
National: MSIG	890 000	800 000
National: DWAF	-	3 564 000
National- Department of Minerals & Energy (DME)	-	5 734 196
National- Public Transport Infrastructure (PTIS)	557 702 802	456 737 988
Provincial Department of Sports, Arts & Culture (DSAC)	-	21 265 000
Provincial- Department of Sports, Arts & Culture (DSAC)	192 740	561 415
Provincial- Seta: EPWP training	3 350 427	-
Provincial- Extended Public Works Programme (EPWP)	-	7 268 944
Provincial- LG Seta	-	38 849
Skills Levy	-	1 796 714
INEG	7 258 834	-
Grants from private organisations		
Housing DPLG	85 482	345 144
Other	1 474 383	552 895
EEDG	3 883 524	-
Total Government Grants and Subsidies	1 116 300 305	945 826 955

Summary of Transfers:

Conditions met - transferred to Revenue: Operating Expenses

Conditions met - transferred to Revenue: Capital Expenses

Total Transfers	1 116 300 305	945 826 955
Attributable to:		
Continuing Operations	1 116 300 305	945 826 955
Discontinued Operations	-	-
	1 116 300 305	945 826 955

MFMA sec 123. (1) requires a municipality to disclose information on -

(a) any allocations received by the municipality from -

(i) an organ of state in the national or provincial sphere of government, or

(ii) a municipal entity or another municipality;

(c) how any allocations referred to in paragraph (a) were spent, per vote, excluding allocations received by the municipality as its portion of the equitable share or where prescribed otherwise because of the nature of the allocation;

(d) whether the municipality has complied with the conditions of -

(i) any allocations made to the municipality in terms of section 214(1)(c) of the Constitution; and

(ii) any allocations made to the municipality other than by national organs of state;

(e) the reasons for any non-compliance with conditions referred to in paragraph(d).

Operational Grants:**24.1 National: Equitable Share****284 857 000 239 749 000**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

24.2 National: FMG Grant

Balance unspent at beginning of year	(105 259)	(105 259)
Current year receipts	(1 550 000)	(1 500 000)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	1 655 000	1 499 999
Conditions still to be met - transferred to Liabilities (see Note 16)	(259)	(105 259)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

24.3 National: MIG Funds

Balance unspent at beginning of year	(84 377 302)	(87 772 014)
Current year receipts	(258 722 000)	(202 518 000)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	225 468 208	205 912 712
Conditions still to be met - transferred to Liabilities (see Note 16)	(117 631 094)	(84 377 302)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

24.4 National: MSIG Funds

Balance unspent at beginning of year	-	-
Current year receipts	(890 000)	(800 000)
Conditions met - transferred to Revenue: Capital Expenses	890 000	800 000
Conditions met - transferred to Revenue: Capital Expenses	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

24.5 National: Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	-	-
Current year receipts	-	(3 564 000)
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	3 564 000
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

24.6 National: Department Minerals and Energy (DME)

Balance unspent at beginning of year	(11 966 520)	(1 200 718)
Current year receipts	-	(16 500 000)
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	7 258 034	5 734 196
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	(4 707 687)	(11 966 520)

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

24.10 National: Public Transport Infrastructure

Balance unspent at beginning of year	(117 448 012)	-
Current year receipts	(630 000 000)	(574 186 000)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	557 702 802	456 737 988
Conditions still to be met - transferred to Liabilities (see Note 16)	(189 745 210)	(117 448 012)

This grant was received to provide for accelerated planning construction and improvement of public and non motorised transport networks.

24.11 Provincial: Department Sports, Arts and Culture (DSAC)

Balance unspent at beginning of year	-	(34 995)
Current year receipts	(34 995)	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	(34 995)	(34 995)

This grant was received to transform rural and urban community library infrastructure, facilities and services

24.13 Provincial: COGTA

Balance unspent at beginning of year	(2 914 474)	
Conditions met - transferred to Revenue: Operating Expenses	(2 100 000)	(2 914 474)
Conditions met - transferred to Revenue: Capital Expenses	85 482	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(4 928 992)</u>	<u>(2 914 474)</u>

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

24.14 Provincial: Extended Public Works Programme (EPWP)

Balance unspent at beginning of year	(568 056)	-
Current year receipts	(7 990 000)	(7 837 000)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Other Transfers: Grant debtor	3 350 427	7 268 944
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(5 207 629)</u>	<u>(568 056)</u>

This grant was used to incentivise provincial departments to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the EPWP guidelines.

24.15 Provincial: LG Seta

Balance unspent at beginning of year	(17 046)	(24 395)
Current year receipts		(31 500)
Interest allocated		-
Conditions met - transferred to Revenue: Operating Expenses		-
Conditions met - transferred to Revenue: Capital Expenses		38 849
Other Transfers: Grant debtor		-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(17 046)</u>	<u>(17 046)</u>

This grant was utilised to construct a training centre for pupils of the fire services division.

24.16 Local: BPDM: Cleaning of cemeteries/ LED Business Plans & other

Balance unspent at beginning of year	(13 172)	(13 172)
Current year receipts		-
Conditions met - transferred to Revenue: Operating Expenses		-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(13 172)</u>	<u>(13 172)</u>

This grant is received from district municipalities for the cleaning of cemeteries, LED business plans and various other initiatives.

24.17 Other: Royal Bafokeng: Western By-pass

Balance unspent at beginning of year	(4 563 739)	(4 563 739)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(4 563 739)</u>	<u>(4 563 739)</u>

This grant was received with regards to the Western Bypass at the Royal Bafokeng Stadium, in order to ensure that the bypass made the stadium more accessible during the FIFA 2012 Soccer World Cup.

24.19 Other: National Lottery

Balance unspent at beginning of year	(11 771)	(11 771)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(11 771)</u>	<u>(11 771)</u>

This grant was received from the National Lottery for the upgrading and maintaining of hospice facilities.

24.20 Other: Seed Funding

Balance unspent at beginning of year	(422 186)	(422 186)
Conditions met - transferred to Revenue: Capital Expenses		-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(422 186)</u>	<u>(422 186)</u>

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

24.21 Other

Balance unspent at beginning of year	(7 543 744)	(7 543 744)
Current year receipts		-
Conditions met - transferred to Revenue: Operating Expenses		-
Conditions met - transferred to Revenue: Capital Expenses		-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(7 543 744)</u>	<u>(7 543 744)</u>

Mostly received from local business in the promoting to various business ventures.

25 SERVICE CHARGES

Sale of Electricity	1 540 601 452	1 126 230 164
Sale of Water	273 826 337	343 580 940
Refuse Removal	82 821 464	79 497 332
Sewerage and Sanitation Charges	71 076 802	63 495 471
Other Service Charges	-	-
Total Service Charges	<u>1 968 326 055</u>	<u>1 612 803 906</u>

Attributable to:

Continuing Operations	1 968 326 055	1 612 803 906
Discontinued Operations		-
	<u>1 968 326 055</u>	<u>1 612 803 906</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

26 RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Amenities	938 147	903 514
Rental Revenue from Buildings	2 025 308	1 640 661
Rental Revenue from Halls	1 146 283	1 233 659
Rental Revenue from Land	1 997 094	1 463 215
Rental Revenue from Other Facilities	332 521	484 202
Total Rental of Facilities and Equipment	6 439 353	5 725 552
Attributable to:		
Continuing Operations	6 439 353	5 725 552
	6 439 353	5 725 552
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
27 INTEREST EARNED		
External Investments:		
Bank Account Investments	27 859 662	53 558 462
	27 859 662	53 558 462
Total Interest Received		
Interest - Notice Deposits		-
Interest - Variable Rate Instruments	27 859 662	53 558 462
Interest - Other		-
Interest -Bank Account		-
Outstanding Debtors:		
Land Sales	55 154	55 262
Outstanding Billing Debtors	94 523 172	110 539 138
	94 578 326	110 594 400
Total Interest Earned	122 437 988	164 152 862
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	(27 859 662)	(53 709 496)
Held-to-Maturity Investments		-
Loans and Receivables	94 578 326	110 594 400
	66 718 664	56 884 903
Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 37		
28 OTHER INCOME		
Building Plan Fees	355 369	535 811
Bank charges recovered	203 140	226 637
Application for clearance certificate	374 703	489 163
Service connections	4 961 722	4 884 619
Reconnection fees	5 602 481	4 280 302
Network upgrade contributions	2 045 967	-
Cemetery Fees	805 787	902 221
Advertising Signs	1 619 726	1 467 942
Legal Cost Recovered	97 294	56 051
Maintenance of Private Sidings	7 700	-
Prints	-	155 057
Photocopies	103 061	-
Tender Documents	1 204 525	1 408 330
Town Planning Fees	54 825	-
Settlement discount	110 345	1 147 360
Surplus cash	37 918	44 130
Sundry Income	5 878 121	2 476 119
Swimming pool fees	143 297	79 626
Excessive Provisions and Reserves		163 855 671
Total Other Revenue	23 595 980	182 018 149
Attributable to:		
Continuing Operations	23 595 980	182 018 149
Discontinued Operations	-	-
	23 595 980	182 018 149
29 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	341 748 637	291 199 583
Basic Salaries and Wages	312 656 976	265 176 503
Annual Bonus	18 763 826	17 244 843
Contribution to Leave Fund	10 327 836	8 777 235
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	86 442 700	80 570 369
Group Life	242 048	253 906
Medical	28 168 846	25 292 541
Pension	48 842 363	46 684 457
Industrial Council Levy	122 991	118 173
Skills Development Levy	3 466 231	3 138 339
UIF	2 855 121	2 507 625
Workmen's Compensation	2 742 101	2 584 328
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	15 931 767	13 883 068
Allowances	15 931 767	13 883 068
Housing Benefits and Allowances	1 237 604	1 456 837
Overtime Payments	35 224 963	32 453 730
Performance Bonuses		-
Other Employee Cost	1 750	-
Defined Benefit Plan Expense:	34 983 144	19 443 668
Current Service Cost	9 682 312	8 854 548
Interest Cost	13 798 418	10 769 390
Benefits Paid	(5 600 426)	(5 322 556)
Net Actuarial (gains)/losses recognised	16 672 840	5 142 286
Less: Employee Costs allocated to Property, Plant and Equipment		-
Less: Employee Costs included in Other Expenses		-
Total Employee Related Costs	515 550 565	438 995 255
Attributable to:		
Continuing Operations	515 550 565	438 995 255
Discontinued Operations		-
	515 550 565	438 995 255

30 Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	637 825	1 549 793
Performance Bonus	-	-
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	-	17 226
Accumulated leave payout	641 370	-
Total	1 279 194	1 567 019

Remuneration of the Chief Financial Officer

Annual Remuneration	927 642	887 837
Performance Bonus	-	-
Car and Other Allowances	280 040	180 000
Company Contributions to UIF, Medical and Pension Funds	205 866	200 243
Accumulated leave payout	-	-
Total	1 413 548	1 268 081

Remuneration: Director: Planning and Development

Annual Remuneration	895 676	828 614
Performance Bonus	-	-
Car and Other Allowances	130 561	120 000
Company Contributions to UIF, Medical and Pension Funds	80 260	84 050
Accumulated leave payout	-	-
Total	1 115 497	1 042 664

Remuneration: Director: Corporate Services

Annual Remuneration	1 145 317	564 618
Performance Bonus	-	-
Car and Other Allowances	11 566	60 000
Company Contributions to UIF, Medical and Pension Funds	59 051	3 901
Accumulated leave payout	-	-
Total	1 216 034	628 519

Remuneration: Director: Local Economic Development

Annual Remuneration	1 103 151	1 031 708
Performance Bonus	-	-
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	1 785	12 029
Accumulated leave payout	-	-
Total	1 104 936	1 043 737

Remuneration: Director: Public Safety

Annual Remuneration	1 024 107	1 108 546
Performance Bonus	-	-
Car and Other Allowances	78 328	77 000
Company Contributions to UIF, Medical and Pension Funds	1 487	10 499
Accumulated leave payout	-	-
Total	1 103 923	1 196 045

Remuneration: Director: Infrastructure Development

Annual Remuneration	820 895	759 894
Performance Bonus	-	-
Car and Other Allowances	169 838	158 400
Company Contributions to UIF, Medical and Pension Funds	225 073	219 872
Accumulated leave payout	-	-
Total	1 215 906	1 138 167

Remuneration: Director: Community Development

Annual Remuneration	438 944	985 533
Performance Bonus	-	-
Car and Other Allowances	28 416	77 000
Company Contributions to UIF, Medical and Pension Funds	744	10 600
Accumulated leave payout	-	-
Total	468 104	1 083 133

Remuneration: Chief Operating Officer

Annual Remuneration	1 376 811	1 292 181
Performance Bonus	-	-
Car and Other Allowances	123 386	108 000
Company Contributions to UIF, Medical and Pension Funds	1 785	14 512
Accumulated leave payout	-	-
Total	1 501 982	1 414 692

Remuneration: Director Rust Rapid Transport

Annual Remuneration	815 698	756 676
Performance Bonus	-	-
Car and Other Allowances	165 469	108 000
Company Contributions to UIF, Medical and Pension Funds	181 238	177 130
Accumulated leave payout	-	41 368
Total	1 162 425	1 083 774

Remuneration: Deputy Chief Financial Officer		
Annual Remuneration	711 874	217 899
Performance Bonus	-	-
Car and Other Allowances	276 953	27 333
Company Contributions to UIF, Medical and Pension Funds	120 886	30 040
Accumulated leave payout	-	-
Total	1 110 513	275 272
This was a new position in 2012/13 financial year hence no comparative No advances were made to employees.		
30.1 REMUNERATION OF COUNCILLORS		
Mayor	1 541 133	809 610
Speaker	684 888	430 306
Chief Whip	539 203	517 489
Executive Committee Members	5 522 785	5 361 374
Councillors	16 184 741	14 158 017
Company Contributions to UIF, Medical and Pension Funds	2 765 254	2 444 657
Pension Fund	-	-
Total Councillors' Remuneration	27 238 064	23 721 452
31 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	398 882 365	#####
Amortisation: Intangible Assets	527 461	74 068
Depreciation: Investment Property	7 035 696	7 035 696
Total Depreciation and Amortisation	406 445 522	402 701 434
Depreciation and Amortisation:		
Amortisation: Intangible Assets	-	-
Depreciation: Property, Plant and Equipment	398 882 365	395 590 770
Depreciation: Investment Property	7 035 696	7 035 696
Total Depreciation and Amortisation	405 918 060	402 626 466
Attributable to:		
Continuing Operations	405 918 060	402 626 466
Discontinued Operations	-	-
	405 918 060	402 626 466
32 IMPAIRMENT LOSSES		
32.1 Impairment Losses on Fixed Assets		
Property, Plant and Equipment	621 983	363 063
Fines	22 784 932	-
	23 406 915	363 063
32.2 Impairment of Revenue		
Impairment Losses Recognised:		
Assessment Rates	27 942 899	-
Service Charges: Electricity	-73 302 005	-
Service Charges: Refuse	30 971 079	-
Service Charges: Sewerage	29 323 402	-
Service Charges: Water	131 621 416	-
Other Service Charges	262 643 426	-
	418 100 217	-
Total Impairment Losses	441 507 132	363 063
Attributable to:		
Continuing Operations	441 507 132	363 063
Discontinued Operations	-	-
Total Impairment Losses	441 507 132	363 063
33 FINANCE COSTS		
Bank Overdraft	-	-
Creditors Overdue	-	-
Finance Leases	-	-
Landfill Provision	-	2 703 336
Loans and Payables at amortised cost	15 719 288	11 929 818
Operating Leases	-	-
Total Interest Expense	15 719 288	14 633 154
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	15 719 288	14 633 154
Attributable to:		
Continuing Operations	15 719 288	14 633 154
Discontinued Operations	-	-
	15 719 288	14 633 154
The weighted average capitalisation rate on funds borrowed generally is 9.9% per annum		
34 BULK PURCHASES		
Electricity	1 235 268 209	894 102 114
Water	228 007 914	229 496 859
Total Bulk Purchases	1 463 276 122	1 123 598 973
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from		

35 CONTRACTED SERVICES		
Meter Reading	3 530 721	3 710 173
Pre-Paid Vending Management	-	-
Professional Fees	73 093 217	14 116 598
Security Services	17 352 059	16 715 972
Sewerage Purification	-	-
Valuation Services	3 562 308	794 904
IT Services	-	4 036 841
Training	5 364 234	6 360 461
Water Purification	-	-
Other Contracted Services	186 196 358	115 056 606
Total Contracted Services	269 098 898	160 791 554
Attributable to:		
Continuing Operations	269 098 898	160 791 554
Discontinued Operations	-	-
	269 098 898	160 791 554
36 GRANTS AND SUBSIDIES PAID		
Community Projects	499 194	1 051 979
Sport Events	-	50 323
Total Grants and Subsidies	499 194	1 102 302
37 GENERAL EXPENSES		
Included In General Expenses are the following:		
Advertising	5 351 866	6 366 620
Afton activities	-	65 465 823
AVM Online Vending Service	5 721 762	6 353 394
Audit Fees	14 954 277	4 828 448
Bad Debts Written Off	63 151	342 948 560
Bank Charges	8 160 571	5 917 402
Chemicals and Poison	951 635	234 882
Consulting fees	28 430	-
Electricity	-	8 747 406
Energy Efficiency & Demand Side Management Grants	3 766 524	-
Entertainment	518 537	552 794
Hiring of Equipment	199 500	3 180 283
IDP Activities	176 434	3 878 334
Implement correction of audit queries	-	91 067
Insurance	3 077 496	3 325 626
Lease Charges	1 525 899	897 789
Legal Claims	-	-
Legal Costs	671 281	8 793 630
Levies: SALGA	4 340 376	-
License fees	3 872 592	2 778 164
Materials and Stocks	4 165 712	3 999 443
Marketing Costs	505 197	605 324
Medical Examinations	98 733	-
Membership Fees	4 383 140	2 964 258
Photocopies	-	8 528 081
Postage and Telegrams	-	2 405 584
Printing of license cards	-	1 707 546
Protective Clothing & Safety Equipment	1 575 492	1 857 307
Provision- Landfill Sites	-	-
Refuse Removal	-	892 417
Rentals	7 570 217	7 914 077
Sanitation and Sewerage	-	853 300
Security Services	-	3 724 106
Stock Shortages/Surpluses	-	9 918
Telephone Cost	8 516 085	1 923 212
Tourism Strategy	-	-
Training Costs	2 425 884	3 585 244
Transport Costs	43 791 370	41 192 880
Travelling and Subsistence	2 421 905	2 505 089
Uniforms	-	1 695 546
Ward Committee Management	4 568 622	4 539 751
Waste Management	-	1 992 069
Water	-	5 999 076
Website Hosting	-	-
Other General Expenses	111 819 666	37 652 648
Total General Expenses	245 022 316	620 704 300
The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services		
38 CORRECTION OF ERROR		
Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.		
Prior Period Error note		
<i>The cumulative effect of all of the above had the following impact on the annual financial statements:</i>		
Statement of financial position		
(Increase)/ Decrease in opening retained earnings	(365 942 511)	-
Increase in property, plant and equipment	(99 968)	-
Increase in investment property	-	-
(Increase)/ Decrease in accumulated depreciation	-	-137 511
Decrease in receivables from non-exchange revenue	(47 533 360)	3 872 740
Decrease in receivables from exchange revenue	43 297 338	-
Increase in VAT Receivable	-	-
Change in classification of the provision for rehabilitation of landfill sites from non current to current	-	-
Increase in current provision	-	10 336 291
Decrease in non-current provision	-	-10 336 291
	(370 278 502)	3 535 229
Statement of financial performance		
Increase in depreciation	-	137 511
Decrease in appropriation/accumulated surplus	380 107 064	-
Decrease in impairment	(369 516)	-
Decrease in rental of facilities and equipment	104 194	-
Increase in grants received	3 286 294	-
Decrease in Other Income	(586 287)	-
Increase in income from fines	-	-3 672 740
Increase in general expense	2 506 332	-
Increase in interest from external investment	(151 034)	-
Increase in contracted services	(15 171 322)	-
Decrease in general expense	582 779	-
	370 278 503	-3 535 229

39 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(72 024 528)	172 617 856
Correction of Prior Year Errors	-	-
Appropriations to/from Internal Reserves	-	-
Depreciation and Amortisation	406 445 522	402 701 434
Impairment Losses on Property, Plant and Equipment	441 507 132	363 063
(Gains)/loss on Disposal of Property, Plant and Equipment	(10 459 667)	(7 609 221)
Other Movement on Property, Plant and Equipment	-	-
Contribution to Retirement Benefit Liabilities	35 782 691	16 033 212
Expenditure incurred from Retirement Benefit Liabilities	(7 446 942)	-
Contribution to Provisions - Non-current	-	4 919 716
Contribution to Provisions - Current	(2 581 055)	(15 783 925)
Other movements	1 565 875	(6 798 606)

Operating surplus before working capital changes

792 796 027 566 443 528

Decrease/(Increase) in Inventories	(9 277 452)	(2 755 023)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	15 480 000	29 684 000
Transfer to PPE to Non-Current Assets	-	-
Decrease/(Increase) in Receivables from Exchange Transactions	(16 044 131)	(208 186 360)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(21 268 217)	(33 178 746)
Decrease/(Increase) in VAT Receivable	(42 395 972)	(13 010 326)
Decrease/(Increase) in Operating Lease Assets	(78 533)	(100 685)
Increase/(Decrease) in Consumer Deposits	546 126	2 291 881
Increase/(Decrease) in Payables	49 766 835	214 502 000
Increase/(Decrease) in Conditional Grants and Receipts	78 195 057	126 112 228

Cash generated by / (utilised in) Operations

847 722 741 680 912 498

40 FINANCING FACILITIES

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	566 656 312	246 192 664
Unauthorised Expenditure current year	287 984 199	614 124 964
Approved by Council or condoned	-	(293 661 316)
Unauthorised Expenditure awaiting authorisation	854 640 511	566 656 312

Employee Related Costs	32 587 397	15 334 952
Collection Costs	-	10 952
Depreciation and Amortisation	18 833 070	293 661 316
Finance Costs	-	2 718 952
General Expenses	-	302 398 792
Impairment	236 507 132	-
Remuneration of Councillors	56 600	-
Total Current year unauthorised expenditure	287 984 199	614 124 964

41.2 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	70 492 824	73 466 505
Irregular Expenditure current year	69 768 390	95 204 108
Condoned or written off by Council	-	(98 177 789)
Irregular Expenditure awaiting condonement	<u>140 261 214</u>	<u>70 492 824</u>

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	4 340 378	-
Amount Paid - current year	(4 340 378)	-
Amount Paid - previous years	-	-
Balance	<u>-</u>	<u>-</u>

42.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	14 954 277	4 828 446
Amount Paid - current year	(14 954 277)	(4 828 446)
Amount Paid - previous years	-	-
Balance	<u>-</u>	<u>-</u>

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2013	Outstanding up to 90 days	Outstanding more than 90 days
CLR MIMOLOTSI C N	30 397.01	30 397
CLR TLHAPI PERCY	92 879.11	90 622
PHISTUS		
CLR WILLEMSE M	69 803.11	67 161
CLR SEGAL M	28 516.56	28 012
CLR SEGAL M	790.31	686
CLR OMARJEE M	18 631.22	18 315
CLR COETZEE D	47 185.06	46 548
CLR MOSOME PAKI	58 341.94	57 873
DAVID		
CLR MOKOWE NE	15 960.26	16 611
CLR BOTHOMANE POGISO	96 339.62	95 200
(Mr)		
CLR MOLATLHEGI PAKO	65 064.92	64 397
RUEBEN (Mr)		
CLR MZIZI J	18 114.68	17 790
CLR SERONGOANE PH		
CLR SEPOTOKELE M	3 135.81	4 032
CLR MAKOPD TIEHO	38 587.10	37 618
CLR VOSLOO JM (Mr)	285.26	571
CLR MASHISHI-NTSIME JI	9 588.78	10 346
(Me)		
CLR DLUNGE WELCOMF		42 975
	17 331.31	17 492
CLR MOTLHASEDI		
ROSINAH KGOMOTSO (Me)		
CLR MATABOGE AL (Mr)		3 448
DIBETSO-NYATHI		15 069
NTBEALENG JEANNETE		
CLR POOPEDI J M	10 829.23	10 936
CLR MALAN A	-	-
CLR MASILO Q S	484.33	859
CLR SERITENG SHIMANE DANIEL (Mr)	10 331.21	13 979
Total Councillor Arrear Consumer Accounts	<u>632 587</u>	<u>691 337</u>

30 June 2014	Outstanding up to 90 days	Outstanding more than 90 days
CLR BOTHOMANE POGISO (Mr)	1 514	108 405
CLR COETZEE D	559	15 503
CLR DI UNGE WELCOME	710	48 867
CLR DU PLESSIS GERT JACOBUS (Mr)	3 113	-
CLR LOMBAARD A	1 535	500
CLR MAKOPO TIEHO	346	49 539
CLR MALAN A	206	-
CLR MASHISHI-NTSIMEJI (Me)	100	5 378
CLR MASILO Q S	175	1 313
CLR MMOLOTSI C N	640	35 038
CLR MOKOWE NE	500	4 902
CLR MOLATHEGI PAKO RUEBEN (Mr)	521	72 694
CLR MOSOME PAPAKI DAVID	838	67 433
CLR MOTLIASEDI ROSINAH KGOMOTSO (Me)	100	18 558
CLR MOTSHEGWE SANAH MMULE (Me)	382	1 167
CLR MTYOTYWE LANE BARNAD	980	83 275
CLR MZIZI J	458	24 070
CLR POOPEDI J M	334	44 917
CLR SEGALE M	92	29 402
CLR SEGALE B (Mr)	841	1 900
CLR SEPOTOKELE M	12	2 056
CLR SERONGOANE PH	338	5 207
CLR TLHAPI PERCY PHISTUS	974	101 928
CLR TSAMAI Agnes (Me)	1 283	-
CLR VOSLOO JM (Mr)	88	261
CLR VOSLOO JM (Mr)	310	944
CLR VOSLOO JM (Mr)	902	2 674
CLR WILLEMSE M	1 404	75 771
	19 334	801 792
42.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA	2 014	2013
Material Electricity and Water Losses were as follows and are not recoverable:	R	R
Electricity:	units (kWh)	units (kWh)
Purchased during the year	1 264 219 871	908 809 122
Sold during the year	(893 318 706)	(737 401 216)
Unaccounted	370 901 165	171 407 906
Normal distribution losses - % of electricity purchases		
Loss	370 901 165	171 407 906
Loss %	29%	18,86%
Loss (R): At Cost	200 731 710	92 765 959
Electricity Losses occur due to <i>inter alia</i> , the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.		
Water:	Tariff	Value R
30 June 2013	Unaccounted Water Losses	4 9222
30 June 2014	Unaccounted Water Losses	5 3675
Water Losses occur due to <i>inter alia</i> , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.		
43 COMMITMENTS FOR EXPENDITURE		
43.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-		
Infrastructure	1 206 198 244	1 632 079 372
Community	9 943 510	11 763 376
Other	-	-
43.2 Operational Commitments		
Commitments in respect of Operational Expenditure:		
	-	-
Total Commitments	1 216 141 754	1 643 862 748
This expenditure will be financed from:		
External Loans		
Capital Replacement Reserve		
Government Grants		
	1 216 141 754	1 643 862 748

43.3 Lease Commitments

Finance Lease Liabilities are disclosed in Note 19.

44 FINANCIAL INSTRUMENTS

44.1 Classification

Optional to disclose detail

FINANCIAL ASSETS:

In accordance with GRAP 104,13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Listed Investments	Amortised cost	819 484	610 466
Fixed Deposits	Amortised cost	349 349 481	602 691 950
Finance Lease Receivables			
Housing Selling Scheme Loans	Amortised cost		
Other Finance Leases	Amortised cost	2 639 960	2 639 960
Receivables from Exchange Transactions			
Electricity	Amortised cost	263 968 460	109 789 352
Refuse	Amortised cost	34 150 490	33 667 483
Sewerage	Amortised cost	29 468 654	28 562 739
Water	Amortised cost	117 791 018	120 457 191
Other Receivables	Amortised cost	38 757 637	117 726 488
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	47 533 361	41 234 829
Payments made in Advance	Amortised cost	3 001 566	3 001 566
Short-term Loans	Amortised cost	2 144 620	2 144 620
Sundry Debtors	Amortised cost	22 008 695	73 117 207
Insurance Claims	Amortised cost	238 829	238 829
Cash and Cash Equivalents			
Call Deposits	Fair value	67 402 105	46 397 311
Notice Deposits	Amortised cost	281 947 399	556 294 639
Short-term Portion of Investments	Amortised cost	349 349 481	602 691 950
Bank Balances	Fair value	75 603 191	52 126 414
Cash Floats and Advances	Fair value	12 800	12 800
Current Portion of Long-term Receivables			
Other Finance Leases	Amortised cost	(31 850)	(31 850)
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Non-current Investments	Listed Investments	819 484	610 466
Non-current Investments	Fixed Deposits	349 349 481	602 691 950
Finance Lease Receivables	Housing Selling Scheme Loan		
Finance Lease Receivables	Other Finance Leases	2 639 960	2 639 960
Receivables from Exchange Transactions	Electricity	263 968 460	109 789 352
Receivables from Exchange Transactions	Refuse	34 150 490	33 667 483
Receivables from Exchange Transactions	Sewerage	29 468 654	28 562 739
Receivables from Exchange Transactions	Water	117 791 018	120 457 191
Receivables from Exchange Transactions	Other Debtors	38 757 637	117 726 488
Receivables from Non-exchange Transactions	Assessment Rates Debtors	47 533 361	41 234 829
Receivables from Non-exchange Transactions	Payments made in Advance	3 001 566	3 001 566
Receivables from Non-exchange Transactions	Short-term Loans	2 144 620	2 144 620
Receivables from Non-exchange Transactions	Sundry Debtors	22 008 695	73 117 207
Receivables from Non-exchange Transactions	Insurance Claims	238 829	238 829
Current Portion of Long-term Receivables	Other Finance Leases	(31 850)	(31 850)
Cash and Cash Equivalents	Notice Deposits	281 947 399	556 294 639
Cash and Cash Equivalents	Short-term Portion of Investments	349 349 481	602 691 950
		1 568 887 226	1 086 453 518

Financial Assets at Fair Value:			
Cash and Cash Equivalents	Call Deposits	67 402 105	46 367 311
Cash and Cash Equivalents	Bank Balances	75 603 191	52 126 414
Cash and Cash Equivalents	Cash Floats and Advances	12 800	12 800
		<u>143 018 096</u>	<u>98 536 525</u>
Total Financial Assets		1 708 905 322	1 187 990 043

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost		
Other Loans	Amortised cost		76 091 404
Payables			
Trade Creditors	Amortised cost	232 741 502	378 572 094
Payments received in Advance	Fair value	67 157 888	33 288 481
Retentions	Amortised cost	50 151 674	21 984 836
Staff Leave Accrued	Amortised cost	20 975 061	23 815 929
Staff Salaries	Amortised cost		
Sundry Deposits	Amortised cost	9 173 066	9 022 545
Other Creditors	Amortised cost	82 484 602	58 802 359

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Finance Lease Liabilities		
Long-term Liabilities	Other Loans		76 091 404
Payables	Trade Creditors	232 741 502	378 572 094
Payables	Retentions	67 157 888	21 984 836
Payables	Staff Leave Accrued	50 151 674	23 815 929
Payables	Staff Salaries		
Payables	Sundry Deposits	9 173 066	9 022 545
Payables	Other Creditors	82 484 602	58 802 359
Current Portion of Long-term Liabilities	Finance Lease Liabilities	1 516 949	1 516 949
Current Portion of Long-term Liabilities	Other Loans	7 857 004	7 857 004
		<u>451 082 686</u>	<u>575 663 121</u>

Financial Liabilities at Fair Value:

Payables	Payments received in Advance	67 157 888	33 288 481
		<u>67 157 888</u>	<u>33 288 481</u>
Total Financial Liabilities		518 240 573	609 951 603

4.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2014, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2013	30 June 2014	
	Carrying Amount R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS			
Measured at Amortised Cost:	1 086 203 093	1 563 247 267	
Listed Investments	610 466	819 484	
Municipal Stock	-		
Fixed Deposits	602 691 950	349 349 481	349 349 481
Notice Deposits	556 294 639	281 947 399	281 947 399
Short-term Portion of Investments	(602 691 950)	349 349 481	349 349 481
Trade Receivables from Exchange Transactions	410 203 253	484 136 259	484 136 259
Trade Receivables from Non-exchange Transactions	119 737 051	97 677 012	97 677 012
Current Portion of Long-term Receivables	(31 850)	(31 850)	(31 850)
Measured at Fair Value	98 536 525	143 018 096	143 018 096
Call Deposits	48 397 311	67 402 105	67 402 105
Bank Balances and Cash	52 139 214	75 615 991	75 615 991
Total Financial Assets	1 184 739 617	1 706 265 362	143 018 096
FINANCIAL LIABILITIES			
Measured at Amortised Cost:	575 663 121	451 082 686	451 082 686
Finance Lease Liabilities	-		
Other Loans	76 091 404		
Trade and Other Payables:			
- Creditors	490 197 764	441 708 733	441 708 733
- Short-term Loans	-		
- Current Portion of Long-term Liabilities	9 373 953	9 373 953	9 373 953
Measured at Fair Value	33 288 481	67 157 888	67 157 888
Payments Received in Advance	33 288 481	67 157 888	67 157 888
Bank Overdraft	-		
Total Financial Liabilities	608 951 603	518 240 573	518 240 573
Total Financial Instruments	575 788 015	1 188 024 789	(375 222 478)
Unrecognised Gain / (Loss)			(1 563 247 267)
No Financial Instruments of the municipality have been reclassified during the year.			
Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities			
The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:			
Level 1:-			
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.			
Level 2:-			
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.			
Level 3:-			
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.			

44.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 7, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 16 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

	2014 R	2013 R
The gearing ratio at the year-end was as follows:		
Debt	260 810 914	85 465 357
Cash and Cash Equivalents	(75 615 991)	(52 139 214)
Net Debt	185 194 923	33 326 143
Equity	6 874 417 235	6 908 448 610
Net debt to equity ratio	3%	0.48%

Debt is defined as Long- and Short-term Liabilities

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial

44.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

44.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

44.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market. Interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

44.6.1 Foreign Currency Risk Management

The municipality undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

44.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

44.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term receivables, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

Refer to <http://www.fidfund.co.za/banking-options/bank-credit-ratings/> for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner. If the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

	2014 R	2013 R
Fixed Deposit Investments		495 780
Finance Lease Receivable	2 622 751	2 622 751
Consumer Debtors	24 025 386	1 551 282 607
Other Debtors	49 139 826	227 552 482
Bank, Cash and Cash Equivalents	654 680 130	916 552 791
Maximum Credit and Interest Risk Exposure	730 468 103	2 698 506 410

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

44 FINANCIAL INSTRUMENTS (Continued)

44.8 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2013

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		602 540 918	494 841 970	-	-	-	-
Bank Balances and Cash	7		(602 528 116)	47 127 950	-	-	-	-
Total Fixed Rate Instruments			12 800	541 969 920	-	-	-	-

30 June 2014

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
VARIABLE RATE INSTRUMENTS	#	%	R	R	R	R		R
Short-term Investment Deposits	7		349 362 619		-	-	-	-
Bank Balances and Cash	7		(349 349 619)		-	-	-	-
Total Fixed Rate Instruments			12 800	-	-	-	-	-

44.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Municipal Gratuity Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Joint Pension Fund:

Municipal Joint Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7,5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Pension Fund:

National Fund for Municipal Workers operates as a defined contribution scheme. The contribution rate paid by the members (7,5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:

The Municipal Employees Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7,5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Gratuity Fund:

46 RELATED PARTY TRANSACTIONS

46.1 Services rendered to Related Parties

Transactions with key management personnel

Due to the nature of the municipality, there are services provided to some of the key management personnel however they are provided at municipal approved rates applicable to all members of the public.

	Rates Charges R	Service Charges R	Sundry Charges R	Total R
For the Year ended 30 June 2013				
Councillors	22 545	644 938	-	667 483
Municipal Manager and Section 57 Personnel	18 636	-	-	18 636
Municipal Entities	-	-	-	-
Total Services	41 181	644 938	-	686 119
For the Year ended 30 June 2014				
Councillors	-	-	-	-
Municipal Manager and Section 57 Personnel	21 996	40 241	18 459	80 697
Municipal Entities	-	-	-	-
Total Services	21 996	40 241	18 459	80 697

46.2 Loans granted to Related Parties

The loan reflect the outstanding balance due by RWST on the finance lease agreement

2014	2013
2 622 751	2 608 109

46.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

46.4 Other Related Party Transactions

Municipal Entity

	2014	2013
Water sales to RLM	89 170 407	76 156 085
Accounts Receivable	-31 394 269	-8 709 881
Interest Paid	-286 143	-288 208
	2014	2013
	R	R

47 CONTINGENT LIABILITIES

47.1 Bank Guarantees:

These guarantees are issued in favour of the following:

- S A S on Hawens R 400	400
- Eskom Holdings Limited R 11 299	11 299
- Magalies Water R 1 169 438	1 169 438

47.2 Court Proceedings:

47.2 Court Proceedings: Contingent Liabilities

	9 728 000.00
(1) Payment dispute over water supply with Government pension fund	300 000.00
Claim against RLM withdrawn by GEFF. Costs tendered to RLM	
(2) Claim for alleged monies owed to Renaissance security	800 000.00
This was claim was made with regards to outstanding payments that the municipality owes for service rendered. Claim has doubtful merits but matter still pending	
(3) Claim for damages against the G4S Security for loss of an amount of R10 million collected from the vending machine	3 000 000.00
The other party is prepared to settle the case at the amount of R 400 000. The RLM appears not to have a good case because presently there is no evidence to disprove their claims.	
Numerous requests were made for any proof to the contrary but nothing to date has been provided to the Attorneys thus: still awaiting trial.	
(4) Claim for Interdicting RLM to dispose or transfer of Erf 2252 Rustenburg Extension 9 by Xstrata South Africa.	400 000.00
Matter settled and now awaiting transfer of land confirmation to R.L.M	
(5) Claim by Absa Trust and others against RLM for wrongful interpretation and Enforcement of Contract	250 000.00
Parties are still exchanging pleadings.	
(6) Claim for damages in the amount of R50, 000.00 for wrongful arrest and detention by Tsela Kotela	80 000.00
Parties are still exchanging pleadings.	
(7) Claim for damages by Telkom SA Limited	20 000.00
Parties are still exchanging pleadings.	
(31) Court Order for Eviction in terms of P.I.E. Act by OJS Fourie against R.L.M and 20 illegal occupants	400 000.00
Matter settled and awaiting transfer of land and confirmation to R.L.M	
(32) Application for re-connection of electricity by Fair distributors 9.	100 000.00
Matter settled out of Court and to be closed	
(46) Claim by Othusitse Rapoo against RLM alleging discrimination on the grounds of victimization	123 000.00
We have already held a pre trial conference. We await an allocation of trial date from the court	
(47) Claim by Othusitse Rapoo against RLM alleging discrimination on the grounds of mental illness	110 000.00
We have already held a pre trial conference. We await an allocation of trial date from the court	
(48) Claim by Othusitse Rapoo against RLM alleging Review application of the SALGBC's Award for dismissal of Applicant's alleged Unfair Labour Dispute.	115 000.00
We have filed our answering affidavit. we are proceeding to file our heads of argument since the Applicant has	
(49) Claim by Unit Managers against RLM regarding a dispute over a notch increase	100 000.00
Both parties have exchanged pleadings and the applicants will now have to make arrangements for the pre-trial paginating the court file and arranging for the matter to be set down for trial	
(50) Claim by Ramadikela against RLM regarding A review application to set aside an arbitration award of the CCMA in favour of RLM.	30 000.00
The pleadings in the review application have been exchanged and the same has happened in respect of an interdictory application to strike out brought by Mr Ramadikela's attorneys as well. The review application was scheduled for hearing on 13 June 2014 but was removed from the roll by his attorneys after he passed away	
(51) Claim by Mabetwa Enviro & Safari Guide against RLM regarding Breach of Agreement	300 000.00
Removed from the roll	
(52) Claim by Michael Sibongile Mabena for Vandalism to property (3 Vodacom Public Phones Containers) by Rustenburg Local Municipality (Traffic Officers)	80 000.00
We were waiting for the complainant to issue summons if any, against the Municipality. To date nothing has happened	
(53) Claim by Thomas Alexander Brough and Others against RLM for Demolishing of structures	150 000.00
We were waiting for the complainant to issue summons if any, against the Municipality. To date nothing has happened	
(54) Claim by HN Engelbrecht against RLM for Damages of watermelons in the amount of R10 000.00.	20 000.00
We have not received summons from the other side	
(55) Claim for compensation for injuries sustained by Ben Loyd Molapo as a result of severe electric burns when the Plaintiff stepped on a fallen electric cable.	200 000.00
Parties are still exchanging pleadings.	
(56) Application for Review of the Council Resolution regarding the removal of all advertising gantries by Lesedi News CC	750 000.00
The other side applied for trial date at the North West High Court, Mahikeng. Date allocated for the 01 August	
(58) Court order to Restrain RLM to interdict the construction of RRT Route at R510 road due to the allegations of the absence of the Water Use Licence as required by the National Water Act.	300 000.00
The applicant applied for Rule 35 (to inspect documents referred to in our papers). No date yet	
(59) Declaratory Order to compel the Respondent (RLM) to comply with applicable legislation with regard the RRT Network	1 000 000.00
(60) Declaratory Order by KE Enterprises to compel the RLM to comply with applicable legislation with regard the RRT Network	200 000.00
Interdict against RLM not to release the retention money to Mozadem Civils in respect of Ikemelang water reticulation project	
(61) Declaratory Order by RLM to A Tayob Claim in the amount of R439 182-00 representing the outstanding amount for the Software provided by the Plaintiff (Breach of Contract).	300 000.00
(62) Urgent Application by RLM against Simon Segone and others to interdict the Respondents from intimidating,	300 000.00
(63) Claim in the amount of R439 182-00 representing the outstanding amount for the Software provided by Unisoft Pty against RLM (Breach of Contract)	300 000.00

CONTINGENT ASSETS

47.3 Court Proceedings: Contingent Assets

	10 842 816.00
(8) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs MD Setae	8 000.00
Parties are still exchanging pleadings.	
(9) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs SD Tshose	8 000.00
Parties are still exchanging pleadings.	
(10) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs BB Bosman	8 000.00
Parties are still exchanging pleadings.	
(11) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs LP Dube	8 000.00
Parties are still exchanging pleadings.	
(12) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs JA Jonker	8 000.00
Parties are still exchanging pleadings.	
(13) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs AK Kgopane	8 000.00
Parties are still exchanging pleadings.	
(14) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs MC Maponyane	8 000.00
Parties are still exchanging pleadings.	
(15) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs LF Msaagi	8 000.00
Parties are still exchanging pleadings.	
(16) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs M Moonsammy	8 000.00
Parties are still exchanging pleadings.	
(17) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs DB Mpofo	8 000.00
Parties are still exchanging pleadings.	
(18) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs OW Phoi	8 000.00
Parties are still exchanging pleadings.	

(19) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs GT Sesakatsie Parties are still exchanging pleadings.	8 000.00
(20) Claim to recover the amount of R161 000-00 previously paid to the Receiver of Revenue in respect of the initial transfer of the property from the RLM to the MFM Motor Spares. A Power of Attorney was drafted and it was sent to Theron Jordaan & Smit Attorneys in Klerksdorp to do the necessary.	45 000.00
(21) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs E Motefe Judgment was granted and we await Warrant of Execution from Sheriff	45 000.00
(22) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs VN Myoli Decision was taken not to proceed with the Exceptions and that the matter will be set down for trial. Discovery Notice was filed and awaiting trial date	45 000.00
(23) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs RR Pietersen Judgment was granted and we await Warrant of Execution from Sheriff	45 000.00
(24) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs NR Adams Decision was taken not to proceed with the Exceptions and that the matter will be set down for trial. Discovery Notice was filed and awaiting trial date	45 000.00
(25) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs JC Eymen Judgment was granted and we await Warrant of Execution from Sheriff	45 000.00
(26) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs EM Gierke Decision was taken not to proceed with the Exceptions and that the matter will be set down for trial. Discovery Notice was filed and awaiting trial date	45 000.00
(27) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs KM Kgosana Judgment was granted on 19 February 2013; awaiting Warrant of Execution from Sheriff	45 000.00
(28) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs M Kruger Judgment was granted; awaiting Warrant of Execution from Sheriff	45 000.00
(29) Court order collection of arrears owing and for eviction by RLM against Mr and Mrs LM Lekotoane Judgment was granted; awaiting Warrant of Execution from Sheriff	45 000.00
(30) Action against IBD for declaring the sale agreement of land invalid and return of purchase price – High Court – Mafikeng.	10 000 000.00
(33) Court order for eviction by RLM against Martin Van Wyk at Amberboom Awaiting Sheriff's return of service.	9 300.00
(34) Court order for eviction by RLM against Moses Morakeng at Amberboom Debtor settled arrears	10 101.00
(35) Court order for eviction by RLM against Ntlale Mafora at Amberboom Awaiting Sheriff's return of service and Warrant of Execution and Eviction	9 760.00
(36) Court order for eviction by RLM against Lebang Otletse at Amberboom Matter settled before the tribunal and debtor to make payment	9 900.00
(37) Court order for eviction by RLM against CR Cole at Amberboom Awaiting Sheriff's return of service and Warrant of Execution and Eviction	2 900.00
(38) Court order for eviction by RLM against J Fennis at Amberboom Debtor settled arrears	2 850.00
(39) Court order for eviction by RLM against ND Khunou at Amberboom Awaiting Sheriff's return of service.	10 700.00
(40) Court order for eviction by RLM against JM Van Zyl at Amberboom Awaiting Sheriff's return of service.	3 380.00
(41) Court order for eviction by RLM against Tlolang at Amberboom Awaiting Sheriff's return of service.	8 900.00
(42) Court order for eviction by RLM against PM Janse Van Rensburg at Amberboom Awaiting Sheriff's return of service.	2 750.00
(43) Court order for eviction by RLM against Gracy Chauke at Amberboom Awaiting Sheriff's return of service.	9 450.00
(44) Court order for eviction by RLM against S Sedile at Amberboom Awaiting Sheriff's return of service.	9 625.00
(44) Court order for eviction by RLM against Dikeledi Morudi at Amberboom Awaiting Sheriff's return of service.	7 200.00
(57) Court order to Restrain the operation of illegal tavern and/or demolition of illegal structure by RLM against Randy's Tavern Matter removed from the court roll.	200 000.00

47.4 Landfill Sites:

The municipality does not have permits for the following landfill sites:

- Bethanie
- Lethabong
- Mankana
- Monnaka
- Phatsima

The municipality might be fined and penalised for operating unlicensed landfill sites by the Department of Environmental Affairs. However, municipality could not reliably estimate the probable fine that might be incurred as there are no known similar cases against other municipalities.

47.5 Wage curve agreement:

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional payable for employee wages, depending on the outcome of the pending litigation. It is not practical to reliably estimate the amount of this payable prior to the outcome of the pending litigation

IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

(i) Secondment of SAICA trainees		
(ii) School of excellence	600 000.00	-
(iii) Saturday school – ABSA	150 000.00	-
(iv) Saturday school - Standard Bank	200 000.00	-

PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

EVENTS AFTER THE REPORTING DATE

No material events occurred with respect to the 2013/2014 financial year end after the date of the statement of financial position in respect of loans.

COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

48. BUDGET INFORMATION

48.1 Budgetary basis and period

The budget was prepared and presented on accrual basis in line with the accrual basis of accounting in the financial statements.
The budget was prepared for an annual period which is similar to the financial period of municipalities i.e. 1 July to 30 June.

48.2 Changes from approved to final budget

Changes from approved to final budget are due to reallocations within the budget and additional funding received which was not budgeted for.

48.3 Explanation of material variances

Description	2013/14 Actual R	2013/14 Budget R	2013/14 Variance R	2013/14 Variance %	Explanation of Material Variances greater than 10% versus Budget
REVENUE					
Fines	37 753 958	13 854 409	23 939 946	172.79	Revenue from illegal dumping not realized
Licences and Permits	9 812 782	11 819 215	(2 006 433)	-16.98	Under collection as anticipated
Government Grants and Subsidies	1 116 900 305	1 432 487 733	(316 187 428)	-22.07	Includes Capital budget revenue
Service Charges	1 698 325 355	2 205 807 730	(237 071 675)	-10.77	Reduction in mining activities during strikes
Rental of Facilities and Equipment	6 459 353	15 364 052	(8 904 699)	-58.09	Mainly due to free use of facilities non tariff increases
Interest Earned - External Investments	27 650 689	24 038 112	3 221 550	13.08	Bulk unspent conditional grants invested
Interest Earned - Outstanding Debts	84 075 300	125 695 450	(20 512 130)	-24.38	Reconciliation of 2012/13 audit query on interest calculation
Other Income	25 595 960	40 981 075	(17 085 996)	-42.00	Various small line items grouped together
Gains on Disposal of Property, Plant and Equipment	10 459 867	30 071 607	(19 611 940)	-65.22	Local economic conditions melt down
EXPENDITURE					
Employee Related Costs	515 550 565	482 965 168	32 587 367	6.75	Actual valuation and unauthorised expenditure under investigation
Remuneration of Councilors	27 238 004	27 181 464	56 000	0.21	
Depreciation	436 445 522	387 612 451	18 833 071	4.86	Due to year end depreciation calculation
Impairment Losses	441 907 132	205 000 000	236 907 132	-	
Repairs and Maintenance	157 230 058	161 516 682	(4 677 623)	-2.80	
Interest Paid	15 719 256	22 031 678	(6 312 558)	-28.65	Acquisition of loan delayed. Repayments will impact on 2014/15
Bulk Purchases	1 423 276 122	1 650 962 559	(113 386 831)	-10.39	Reduction in mining activities during strikes
Contracted Services	250 066 868	204 115 028	(27 080 128)	-9.12	
Grants and Subsidies Paid	489 184	-	489 184	-	
General Expenses	245 022 318	254 075 534	(9 053 216)	-3.56	

APPENDIX A
RUSTENBURG LOCAL MUNICIPALITY
Schedule of External loans for 2014

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance Per AFS at 30 June 2013	Redeemed/ Written Off during Period	Balance at 30 June 2014	Short-term Portion Payable	Balance after 12 Months
LOCAL REGISTERED STOCK	R						R		
Total Registered Stock	-				-	-	-		
ANNUITY LOANS									
Total Annuity Loans	-				-	-	-		
CAPITAL LEASE LIABILITIES									
Avis Fleet Services (Pty) Ltd		10.00%		31 May 2013	R 711 783.00	(711 783.00)	711 783		
Gestether Finance (Fintech)		10.00%		30 September 2013	R 3 539 830.00	(3 539 830.00)	3 539 830		
Total Capital Lease Liabilities	-				R 4 251 613.00	(4 251 613)	4 251 613	-	-
GOVERNMENT LOANS									.00
Total Government Loans	-				-	-	-		
OTHER LOANS									
INCA	R 50 000 000.00	13.82%	50619016740	29 February 2024	R 46 642 982.22	R 1 993 626.71	R 44 649 355.51	5 753 386.00	38 895 969.51
ABSA - Drawdown 1	R 20 000 000.00	11.92%	3017981971	01 June 2020	R 13 846 603.35	R 1 296 262.73	R 12 550 340.62	1 438 424.06	11 111 916.56
ABSA - Drawdown 2	R 20 000 000.00	12.02%	3017982317	31 May 2021	R 15 287 330.28	R 1 099 265.17	R 14 188 065.11	1 673 318.83	12 514 746.28
ABSA - Drawdown 3	R 20 000 000.00	12.14%	3022362516	31 May 2022	R 16 028 496.47	R 972 973.19	R 15 055 523.28	1 781 169.84	13 274 353.44
DBSA - Drawdown 1	R 200 000 000.00	9.903%	61007193	02 January 2029	R 0.00	R 0.00	R 200 000 000.00	19 478 613.15	180 521 386.85
Total Other Loans	R 110 000 000.00			Per AFS	R 91 805 412.32	R 5 362 127.80	R 286 443 284.52	R 30 124 911.88	R 75 796 985.79
TOTAL EXTERNAL LOANS	R 110 000 000.00				R 96 057 025.32	R 1 110 514.80	R 290 694 897.52	R 30 124 911.88	R 75 796 985.79

OTHER LOANS:

DBSA

Structured secured 15 year loan for various purposes. Original loan capital of R308 000 000. Drawdown of R 200 million was transferred on April 2014. Interest is repayable semi-annually in at

INCA:

Original loan capital of R50 000 000. Bears interest at 13.82% per annum and repayable in equal instalments of R4 002 068 at the end of February and August every year, with the last

Absa Loan (1064):

Original loan amount was R 20 000 000 for the 3 drawdowns respectively. Bears interest from first draw down at 11.92%, 12.02% and 12.14% per annum respectively, with equal instalments

[illegible]

APPENDIX E(1) RUSTENBURG LOCAL MUNICIPALITY ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013					
Description	2013/14 Actual R	2013/14 Budget R	2013/14 Variance R	2013/14 Variance %	Explanation of Material Variances greater than 10% versus Budget
REVENUE					
Fines	9 259 152	13 854 409	(4 595 257)	-33.17	Revenue from illegal dumping not realized
Licences and Permits	9 812 782	11 819 215	(2 006 433)	-16.98	Under collection as anticipated
Government Grants and Subsidies	1 086 598 400	1 432 487 733	(345 889 333)	-24.15	Includes Capital budget revenue
Service Charges	1 954 922 194	2 205 997 730	(251 075 536)	-11.38	Reduction in mining activities during strikes
Rental of Facilities and Equipment	6 439 353	15 364 052	(8 924 699)	-58.09	Mainly due to free use of facilities non tariff increases
Interest Earned - External investments	27 859 862	24 638 112	3 221 560	13.08	Bulk unspent conditional grants invested
Interest Earned - Outstanding debtors	94 578 326	125 090 456	(30 512 130)	-24.39	Rectification of 2012/13 audit query on interest calculation
Other Income	23 595 980	40 681 976	(17 085 996)	-42.00	Various small line items grouped together(,
Gains on Disposal of Property, Plant and Equip	10 459 667	30 071 607	(19 611 940)	-65.22	NB PLS remove sale revenue at 88%
EXPENDITURE					
Employee Related Costs	515 550 565	482 963 168	32 587 397	6.75	
Remuneration of Councillors	27 238 004	27 181 404	56 600	0.21	
Depreciation	406 110 775	387 612 451	18 498 324	4.77	
Impairment Losses	621 983	-	621 983	-	
Repairs and Maintenance	157 239 059	161 916 682	(4 677 623)	-2.89	
Interest Paid	15 719 288	22 031 876	(6 312 588)	-28.65	Acquisition of loan delayed. Repayments will impact on 2014/15
Bulk Purchases	1 463 276 122	1 636 662 959	(173 386 837)	-10.69	Reduction in mining activities during strikes
Contracted Services	289 098 698	296 119 026	(7 020 328)	-9.12	
Grants and Subsidies Paid	499 194	-	499 194	-	
General Expenses	231 571 963	254 075 534	(22 503 571)	-8.86	

APPENDIX F

Name of Grant	Opening Balance	Grants Received	Grants Utilized	Closing Balance	Delayed and/or withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*)See below	Reason for Non-compliance
EQUITABLE SHARE	-	(284 657 000.00)	284 657 000.00	-	No	Not applicable	Yes	N/a
LG SETA	(17 046.00)	-	-	(17 046.00)	No	Not applicable	Yes	N/a
BPM	(13 172.00)	-	-	(13 172.00)	No	Not applicable	Yes	N/a
EEDG	(97 262.00)	(5 721 700.00)	3 863 523.94	(1 955 438.06)	No	Not applicable	Yes	N/a
DPLG	(2 914 474.00)	(2 100 000.00)	85 482.00	(4 928 991.00)	No	Not applicable	Yes	N/a
DSAC - Sun City	(34 995.00)	-	-	(34 995.00)	No	Not applicable	Yes	N/a
DSAC - Alcon	-	-	-	-	-	-	-	-
DWAF	-	-	-	-	No	Not applicable	Yes	N/a
EPWP	(568 056.00)	(7 990 000.00)	3 350 427.33	(5 207 628.67)	No	Not applicable	Yes	N/a
FMG	(105 259.00)	(1 550 000.00)	1 655 000.00	(259.00)	No	Not applicable	Yes	N/a
LOTTERY	(11 771.00)	-	-	(11 771.00)	No	Not applicable	Yes	N/a
MSIG	-	(890 000.00)	890 000.00	-	No	Not applicable	Yes	N/a
OTHER	(7 543 744.05)	-	-	(7 543 744.05)	No	Not applicable	Yes	N/a
HOUSING - DPLG	-	-	-	-	No	Not applicable	Yes	N/a
RBA WESTERN BY PASS	(4 563 739.00)	-	-	(4 563 739.00)	No	Not applicable	Yes	N/a
MINES	-	-	-	-	-	-	-	-
NEIGHBOURHOOD	-	-	-	-	No	Not applicable	Yes	N/a
SEED	(422 186.00)	-	-	(422 186.00)	No	Not applicable	Yes	N/a
SKILLS LEVY	-	(572 132.41)	-	(572 132.41)	No	Not applicable	Yes	N/a
HOUSING PROJECT ACCOUNT	(18 572 087.00)	(460 960.00)	-	(19 033 047.00)	No	Not applicable	Yes	N/a
INEG	(11 966 520.20)	-	-	(11 966 520.20)	No	Not applicable	Yes	N/a
DSAC - Library	(488 984.42)	(670 000.00)	192 740.33	(966 244.09)	No	Not applicable	Yes	N/a
MIG	(84 377 302.08)	(258 722 000.00)	255 867 159.34	(87 232 142.74)	No	Not applicable	Yes	N/a
PTIS	(238 620 344.34)	(630 000 000.00)	557 702 801.86	(310 917 542.48)	No	Not applicable	Yes	N/a
DONATION - SCHOOL OF EXCELLENCE	-	(143 023.00)	143 023.00	-	-	-	-	-
GRANT RENOVATION OLD MARIKANA HOUSE	-	(455 197.00)	448 130.00	(7 067.00)	No	Not applicable	Yes	N/a
NSCOOP	-	(563 350.00)	186 184.20	(377 165.80)	-	-	-	-
	(370 316 942.09)	(1 194 495 362.41)	1 116 300 305.67	(448 511 998.83)				